

APPRAISAL REPORT

101 ASH STREET

A 21-story office building totaling 314,545 rentable square feet
located at 101 Ash Street
San Diego, CA 92101

APPRAISED FOR

Cisterra Development
3580 Carmel Mountain Road, Suite 460
San Diego, CA 92130

DATE OF VALUATION

August 12, 2016

DATE OF REPORT

September 8, 2016

APPRAISED BY

**D.F. Davis Real Estate, Inc.
David F. Davis, MAI
860 Jamacha Road, Suite 206
El Cajon, CA 92019-2566
File No. 16-27**

September 8, 2016

Mr. Jason R. Wood
Project Principal
Cisterra Development
3580 Carmel Mountain Road, Suite 460
San Diego, CA 92130

Re: 101 Ash Street
San Diego, CA 92101

Dear Mr. Wood:

Pursuant to your request and authorization, the above-referenced properties were appraised for the purpose of formulating and expressing two hypothetical valuations and an opinion of the estimated remaining economic life of the improvements, excluding furniture, fixtures and equipment (FF&E), and subject to the Assumptions and Limiting Conditions on pages 3, 4 and 5. The valuation scenarios are:

- 1) The estimated market rent of the subject property, using the hypothetical condition that the building and the parking facility are fully occupied by the City of San Diego. The market rent reflects a 20-year lease term and a \$5,000,000 investment by the City for tenant improvements, including a complete renovation of the first and second levels (concept and plans not submitted for review). The rent will be on a full net basis, with the City paying for all taxes, insurance, and all operating expenses. The estimated market rent should reflect the use of the parking garage as a pay facility.
- 2) The hypothetically stabilized market value of the subject property using the hypothetical condition that the building and the parking facility are occupied by the City which self-insures its properties, manages them internally and is exempt from paying real estate taxes (those items to be not included as operating expenses). As noted above, the market value reflects the investment of \$5,000,000 in tenant improvements. The estimated market value includes income from operation of the parking garage as a pay facility.
- 3) An estimate of the remaining useful life of the improvements which is, essentially, the remaining economic life, assuming appropriate maintenance and repairs as necessary for continued operation.

The site and environs were inspected and a detailed description is included in the body of the report. The valuation is based on current market data and economic trends and is subject to the attached Assumptions and Limiting Conditions. This is an appraisal reported in accordance with the most recent version of the Uniform Standards of Professional Appraisal Practice (USPAP).

- 1) The estimated market rent, (as summarized above):

Based upon investigation and analysis, the estimated market rent of the subject property, as of August 12, 2016, was:

\$4,045,323 annually, \$337,110 payable monthly, \$1.072 per square foot on a fully net basis with annual fixed and compounded 3% increases over a 20-year term

- 2) The hypothetical market value of the subject property, (as summarized above):

Based upon investigation and analysis, the hypothetical market value of the fee simple interest in the subject property at market rent assuming that the property is fully occupied by the **City of San Diego**, as of August 12, 2016, was:

\$67,100,000

This is not the “as is” value of the subject property.

- 3) The estimated remaining economic life, (as summarized above):

+/- 50 Years

A reasonable exposure time for the subject existing office building at the above hypothetical market value would be 6 months or less as of the effective date of the value.

Thank you for this opportunity to be of service.

Very truly yours,



David F. Davis, MAI
President
#AG002752
DFD/sts

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- A. Additional Photographs
- B. CoStar Group Information
- C. PwC Real Estate Investor Survey Information
- D. Floor Plans
- E. Comparable Improved Sales – Maps
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- J. Qualifications of David F. Davis, MAI

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Owner: Gas & Electric Headquarters Building – San Diego, LP

Property Appraised: A 21 story office building, totaling 314,545 rentable square feet

Location: 101 Ash Street, San Diego, California 92101

Thomas Map Code: San Diego County 1289-A-2

Purpose of the Appraisal: To estimate market value: 1) hypothetically stabilized at market rent; 2) hypothetically stabilized at market rent with the City of San Diego being the tenant; 3) hypothetically stabilized at market rent.

Intended Use/Intended User of the Appraisal: For exclusive use by the client for internal purposes. The only other authorized users are representatives of the City of San Diego Real Estate Assets Department.

Property Rights Appraised: Fee simple leased fee interest

Date of Valuation: August 12, 2016

Value Indications: **1. Estimated Market Rent:**

**\$4,045,323 annually, \$337,110 payable monthly,
\$1.072 per square foot on a fully net basis with annual fixed and
compounded 3% increases over a 20-year term**

2. Hypothetically Stabilized at Market Rent Fully Occupied by the City of San Diego:

Sales Comparison Approach	\$ 67,200,000
Income Approach	\$ 67,100,000
Reconciled Value	\$ 67,100,000

This is not the “as is” value of the subject property.

A reasonable exposure time for the subject existing office building at the above hypothetical market value would be 6 months or less as of the effective date of the value.

3. Estimated Remaining Economic Life: +/- 50 years

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made expressly subject to the assumptions and limiting conditions, as follows:

General:

1. The appraiser(s) assume(s) no responsibility for matters legal in character; title is assumed to be good and marketable.
2. Unless otherwise specified in this report, the property is valued as a fee simple title, free and clear of all liens and encumbrances except easements and rights of way of record. On this basis, the property is assumed free and clear of all leases and financing and under responsible ownership and competent management.
3. Any sketches, maps, and photographs in this report are included to assist the reader in visualizing the property. There has been no survey of the property by or under the direction of the appraiser(s), and the appraiser(s) assume(s) no responsibility in these matters.
4. Information furnished by others is believed to be reliable, but the appraiser(s) assume(s) no responsibility for its accuracy.
5. The distribution of the total valuation between land and improvements (if any), applies only under the program of utilization stated in this report. The reported market value is for the total property as appraised and no attempt has been made to evaluate any fractional interest, should they exist.
6. The existence of potentially hazardous material used in the construction or maintenance of the building, such as urea formaldehyde foam insulation, and/or existence of toxic waste, which may or may not be present on the property, has not been considered in this appraisal assignment. The appraiser(s) is/are not qualified to detect such substances. The client is urged to retain an expert in this field if desired.
7. Except as noted, this appraisal assumes the land to be free of adverse soil conditions which would prohibit development of the property to its highest and best use.
8. This appraisal is made of surface rights only. No analysis has been made of subsurface rights, if any.
9. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without prior written consent and approval of D.F. Davis Real Estate, Inc.
10. The submission of this report does not obligate the appraiser(s) to give testimony or attend any court, governmental or other agency proceedings, without prior arrangements having been made for such additional employment.

11. Assume a total land area of 60,000 square feet and a rentable building area of 314,545 square feet pursuant to information submitted for review.
12. It has not been determined if the subject improvements conform with the requirements set forth by the Americans with Disabilities Act (ADA). This act was implemented January 26, 1992 in order to eventually make all real property fully accessible to disabled consumers and employees. A specific compliance survey and analysis of this property has not been made to determine whether or not it conforms with the requirements of the ADA. It is possible that a future compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since there is no direct evidence relating to this issue, possible non-compliance with the requirements of ADA was not considered in estimating the value of the property.

The appraiser is not qualified to conduct specific ADA compliance surveys. Therefore, the appraiser assumes no responsibility for potential non-compliance with the Act.

Pursuant to USPAP Standards Rule 2-2(a),(x), the use of extraordinary assumptions and/or hypothetical conditions might have affected the assignment results.

Hypothetical Conditions:

At the client's request, the subject property was appraised under the following three valuation scenarios:

1. 1) The estimated market rent of the subject property, using the hypothetical condition that the building and the parking facility are fully occupied by the City of San Diego. The market rent reflects a 20-year lease term and a \$5,000,000 investment by the City for tenant improvements, including a complete renovation of the first and second levels (concept and plans not submitted for review). The rent will be on a full net basis, with the City paying for all taxes, insurance, and all operating expenses. The estimated market rent should reflect the use of the parking garage as a pay facility.
- 2) The hypothetically stabilized market value of the subject property using the hypothetical condition that the building and the parking facility are occupied by the City which self-insures its properties, manages them internally and is exempt from paying real estate taxes (those items to be not included as operating expenses). As noted above, the market value reflects the investment of \$5,000,000 in tenant improvements. The estimated market value includes income from operation of the parking garage as a pay facility.
- 3) An estimate of the remaining useful life of the improvements which is, essentially, the remaining economic life, assuming appropriate maintenance and repairs as necessary for continued operation.

These are hypothetical conditions as the subject property is presently less than 10% occupied by the owners.

Hypothetical conditions are defined as that which is contrary to what exists but is supposed for the purpose of analysis. A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

Extraordinary Assumptions:

None.

Extraordinary assumptions are defined as assumptions, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Under USPAP, an appraisal may be predicated on extraordinary assumptions only under certain conditions, specifically:

- the use of the extraordinary assumption is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the appraiser complies with the appropriate disclosure requirements (as proscribed elsewhere in USPAP).

DISCLOSURE OF COMPETENCY

Over the past 39 years, David F. Davis has completed over 2,500 appraisals or consulting assignments on retail, office, R&D and industrial properties and land in southern California.

David F. Davis has previously appraised or provided consultation services on assignments involving the following comparables shown in this report:

Improved: 4, 6

Lease: 2, 8

DESCRIPTIVE SECTION

INTRODUCTION

This is a hypothetical market value appraisal as defined by the Uniform Standards of Professional Appraisal Practice (USPAP) and the Dictionary of Real Estate Appraisal Sixth Edition of: an 21 story office building, totaling 314,545 rentable square feet (plus a 220 space subterranean parking garage), located at 101 Ash Street.

The subject property is the entire city block, bounded by Ash Street, First Street, A Street and Second Street, in Downtown San Diego, California. There are 19 floors of usable office area; the top two floors are for mechanical equipment. Constructed in 1968, the building was leased to San Diego Gas & Electric Company from 1975 through July 2015. The building was the corporate headquarters for Sempra Corporation, the parent company of San Diego Gas & Electric Company. Floors 18 and 19 are occupied by the owners with the remainder being vacant.

The subject was appraised under the following Valuation Scenarios:

- 1) The estimated market rent of the subject property, using the hypothetical condition that the building and the parking facility are fully occupied by the City of San Diego. The market rent reflects a 20-year lease term and a \$5,000,000 investment by the City for tenant improvements, including a complete renovation of the first and second levels (concept and plans not submitted for review). The rent will be on a full net basis, with the City paying for all taxes, insurance, and all operating expenses. The estimated market rent should reflect the use of the parking garage as a pay facility.
- 2) The hypothetically stabilized market value of the subject property using the hypothetical condition that the building and the parking facility are occupied by the City which self-insures its properties, manages them internally and is exempt from paying real estate taxes (those items to be not included as operating expenses). As noted above, the market value reflects the investment of \$5,000,000 in tenant improvements. The estimated market value includes income from operation of the parking garage as a pay facility.
- 3) An estimate of the remaining useful life of the improvements which is, essentially, the remaining economic life, assuming appropriate maintenance and repairs as necessary for continued operation.

TYPE AND DEFINITION OF VALUE

This appraisal was prepared to communicate the results of an estimate of market value pursuant to the following definition:

According to the Appraisal of Real Estate, (14th Edition 2013): "Market Value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and each acting in what they consider their own best interest;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

MARKET VALUE "AS IS"

Market Value "As Is" on appraisal date means "an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions or qualifications as of the date the appraisal is prepared."

The valuation sought under Scenarios 1 and 2 are not the "as is" value.

HYPOTHETICAL MARKET VALUE

The Market Value sought under valuation scenarios 1 and 2 are hypothetical as they assume that the building and the parking facility are fully occupied by the City of San Diego, which self-insures its properties, manages them internally and is exempt from paying real estate taxes (those items to be not included as operating expenses), under a 20-year lease term at market rent on a fully net basis with a \$5,000,000 investment by the City for tenant improvements, including a complete renovation of the first and second levels, (plans not submitted for review), and use of the parking garage as a pay facility.

PROPERTY RIGHTS APPRAISED

The Property Rights Appraised are those of the fee simple estate or interest. These terms are defined in the Appraisal of Real Estate (14th Edition, 2013), as follows:

Fee Simple Estate:

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

DATE OF VALUATION

The "as is" date of valuation of this appraisal is August 12, 2016, which was the date that the subject property was inspected and photographed.

INTENDED USE/INTENDED USER OF THE APPRAISAL

For exclusive use by the client for internal purposes. The only other authorized users are representatives of the City of San Diego Real Estate Assets Department.

SCOPE OF WORK

This appraisal report is intended to be an "appraisal assignment," as defined in the Standards of Professional Appraisal Practice of the Appraisal Institute; i.e., it is intended that the appraisal service be performed in such a manner that the results of the analysis, opinion, or conclusion be that of a disinterested third party. It is intended that all appropriate data deemed pertinent to the solution of the appraisal problem be collected, confirmed, and reported in conformity with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics of the Appraisal Institute. The scope of the analysis is intended to be appropriate in relation to the significance of the appraisal problem. The Cost Approach was not completed as it is inapplicable given the hypothetical conditions of the appraisal.

Specifically, the scope included a comprehensive survey of data necessary to complete the Sales Comparison and Income Approaches to value.

Comparable data, researched through CoStar Group, Inc., brokers and public records, was verified with parties to obtain prices, terms and units of comparison. The subject property was inspected (appraisal inspection).

EXPOSURE TIME

Exposure Time is defined in the *Uniform Standards of Professional Appraisal Practice 2016-2017 Edition* (USPAP) as the estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Exposure time and marketing time are two distinct time periods. Exposure time is always presumed to have occurred before (and up to) the effective date of value, while marketing time occurs after the date of market value. A marketing process common in one area may not be typical in all areas. For example, in some markets, property is customarily sold through an auction arrangement, while in others professional brokerage is the norm, and in still others so called "for sale by owner" is the typical process. Each process, in a given time period and locality for the type of property involved, can be "normal".

The exposure time estimate for the subject property included: an analysis of comparable sales shown in the Sales Comparison Approach section of this report; interviews with knowledgeable brokers and investors; reviews of published surveys of investor trends; and the appraiser's judgment.

The comparable sales utilized in the Sales Comparison Approach all had marketing times of 12 months or less (some were not on the market).

The applicable Real Estate Investor Survey (Second Quarter 2016) published by PricewaterhouseCoopers, included average marketing time estimates, which are considered valuable in making projections in today's market. According to this source, the average marketing time for the applicable property types are as follows:

<u>Property Type-Use</u>	<u>Average Marketing Time (Months)</u>
National CBD Office	6.6
San Diego Office Market	4.3

Based upon this analysis and interviews with local real estate professionals, it is estimated that the marketing time and exposure time for the subject property would not be unusually lengthy. Therefore, a marketing/exposure period of 6 months or less is considered appropriate for the subject and for each value estimate. A marketing/exposure period of 6 months or less provides ample time to allow any potential purchaser to conduct or to have conducted an examination of area demographics, schedule the planning and construction process, and arrange financing. Sophisticated investors, developers and brokers that were interviewed confirm that this could be accomplished within 6 months.

A reasonable exposure time for the subject existing office building at the above hypothetical market values, would be 6 months or less as of the effective date of the value. Exposure time does not apply to Valuation Scenario 2 which was an investment value.

PROPERTY IDENTIFICATION

Legal Description

The subject property legal description was not submitted for review. A facsimile legal description is Lots A through L of Block 195 of Horton's Addition Lockling in the City of San Diego, County of San Diego, State of California.

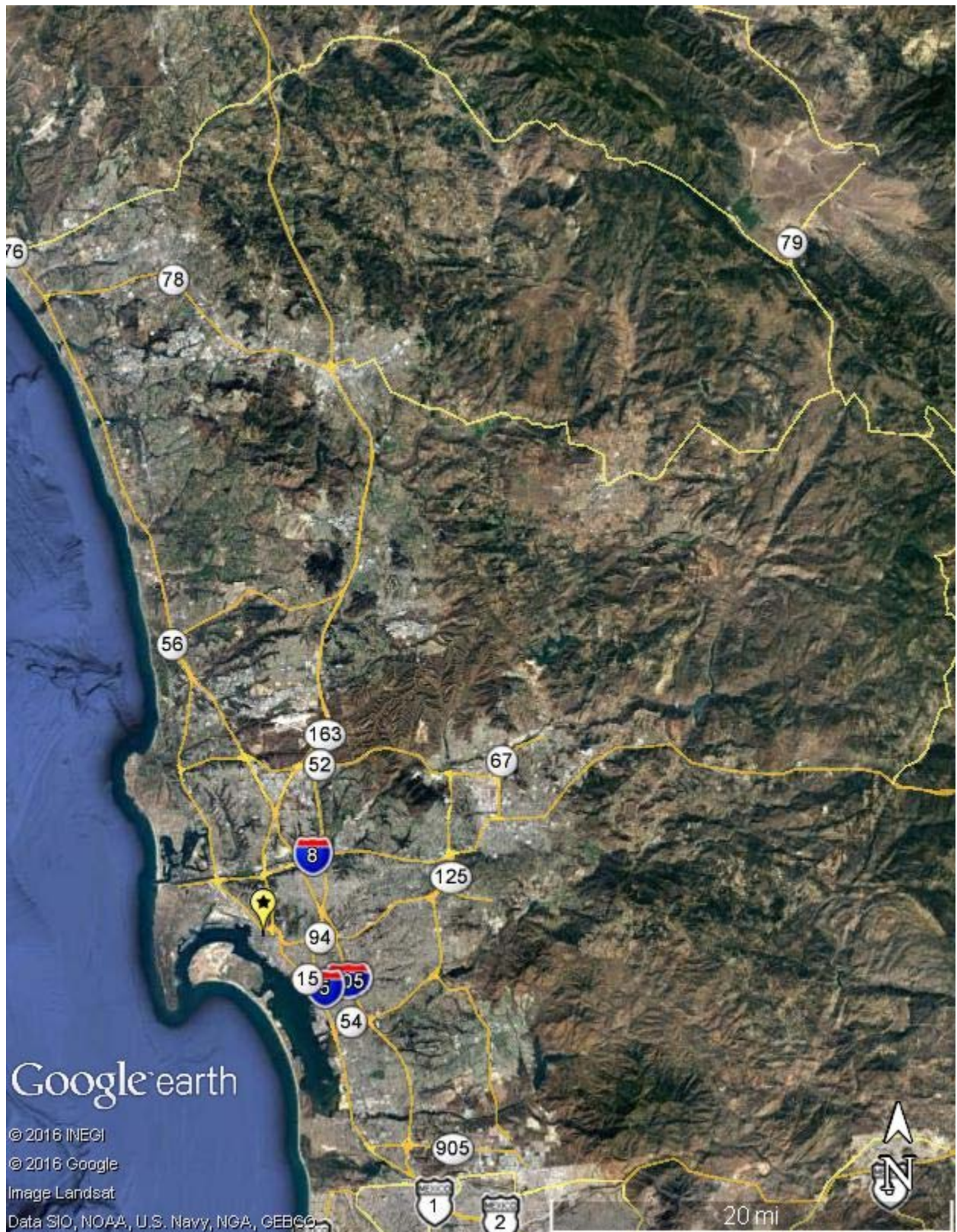
Location

The subject property is located at 101 Ash Street in Downtown San Diego. It occupies the entire city block bounded by Ash Street, First Street, A Street and Second Street, directly north of the San Diego Civic Center Complex.

Owner of Record - History

Title is presently vested in the name of Gas & Electric Headquarters Building - San Diego, LP who acquired title on May 13, 1999 via a correction deed. According to CoStar Group, on July 20, 2015, a 49% interest in the property transferred from Shapery Enterprises to Manchester Financial Group for \$20,000,000. This sale occurred in anticipation of the long term, full building tenant, Sempra Utilities, vacating the property and occupancy dropping to zero.

AREA MAP



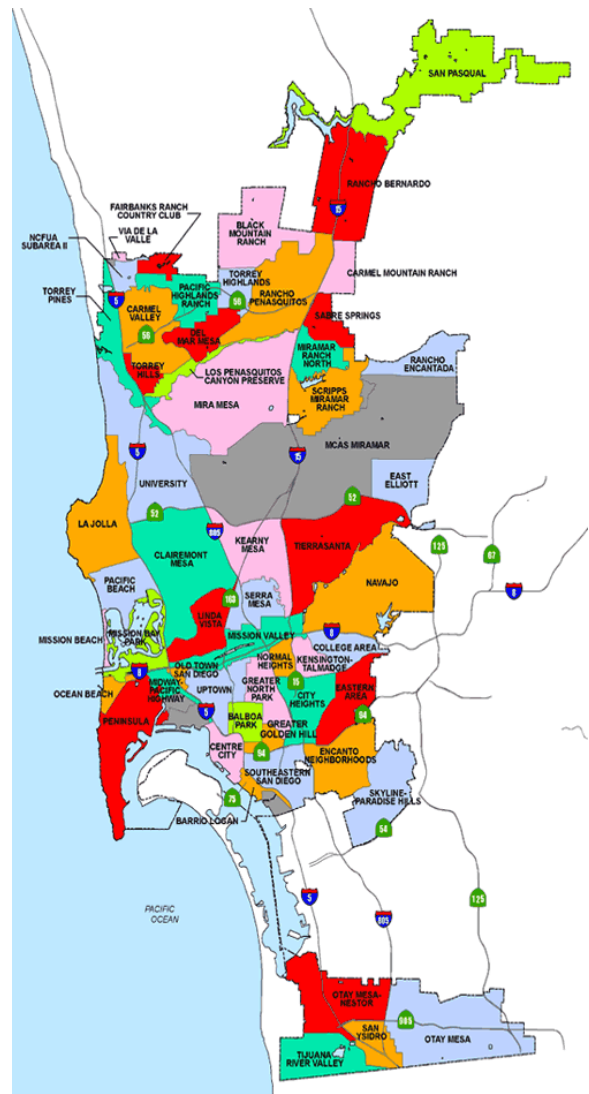
AREA DESCRIPTION

San Diego is a major city in California, on the coast of the Pacific Ocean in Southern California, approximately 120 miles (190 km) south of Los Angeles and immediately adjacent to the border with Mexico. San Diego is the eighth largest city in the United States and second largest in California and is one of the fastest growing cities in the nation. San Diego is the birthplace of California and is known for its mild year-round climate, natural deep-water harbor, extensive beaches, long association with the U.S. Navy, and recent emergence as a healthcare and biotechnology development center. The population was estimated to be 1,394,928 as of July 2015. San Diego was ranked as the 2nd safest city in America in 2014, by *CQ Press* based on FBI statistics.

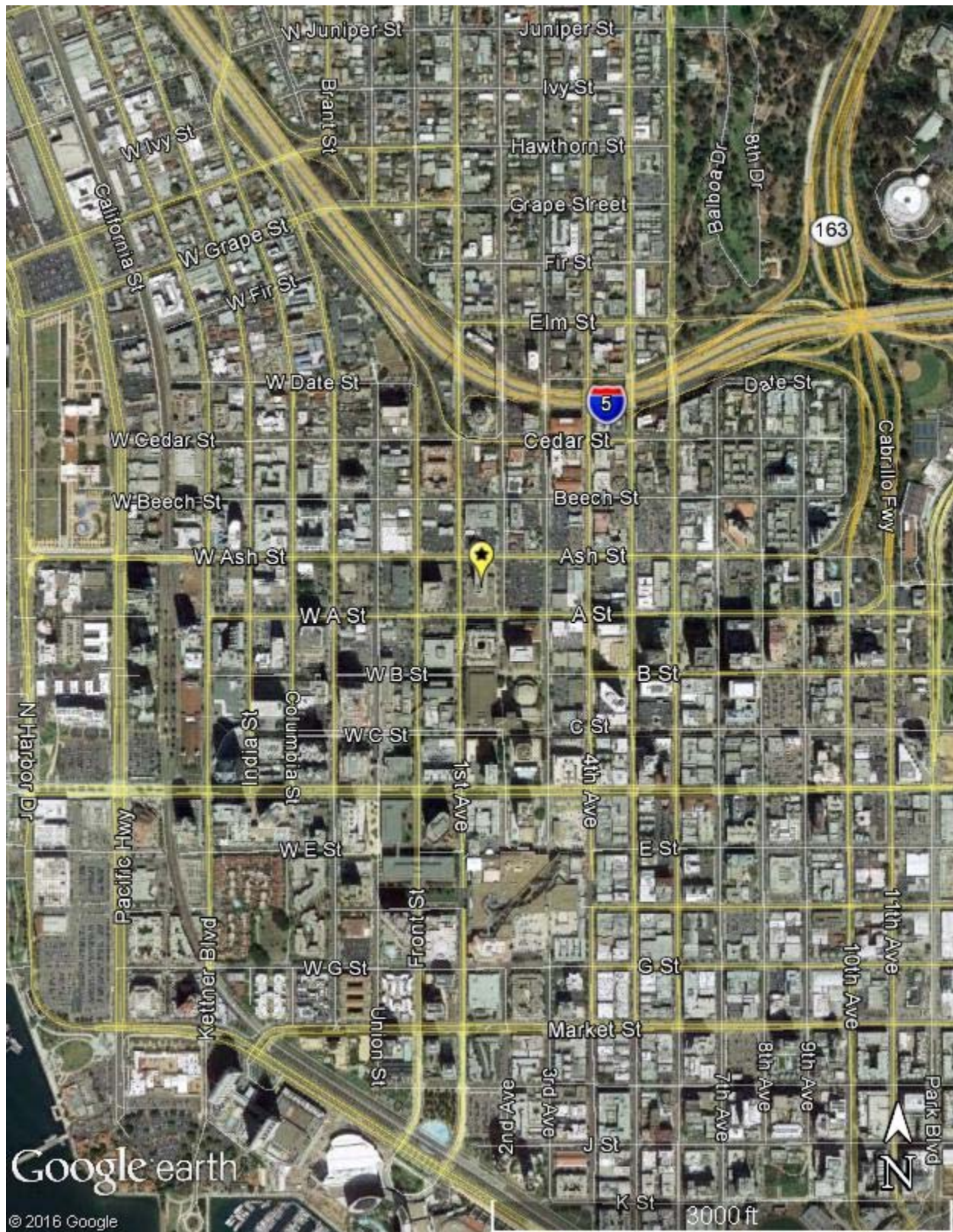
The general outlook is for San Diego County, (population 3.3 million as of July, 2015), to continue as a leader in the national trend towards service, high technology communications, biotechnology and information-oriented industries and away from traditional heavy industry.

San Diego County is a dynamic community with an economy that is more diversified than ever before. The traditional reliance on the military and defense related industries have been reduced over the past 30 years; however, those portions of the local economy are still significant. Current market conditions are no longer recessionary as they are nationally. The regional economic diversification and natural amenities, such as the weather and attractive coastal characteristics, will continue to attract people to the area. The city, county and state governments are no longer demonstrating policies towards controlling leapfrog growth, but they continue to work to preserve the area's agreeable lifestyle, attracting clean industries and address the local and regional water shortage.

San Diego County is a good place to own property, which will continue to grow and prosper over the long term, and as it does, property owners will be rewarded with appreciation of both values and incomes.



NEIGHBORHOOD MAP



NEIGHBORHOOD/DISTRICT DESCRIPTION

The subject property is situated in what is commonly referred to as the Core district in Centre City, the metropolitan core of the City of San Diego. Encompassing approximately 1,538 acres, Centre City is roughly bounded by Laurel Street to the north, Commercial Street to the south, State Route 163 to the east and the San Diego Harbor to the west.

Since the mid-1970s, Centre City has experienced a renaissance due to redevelopment and through the efforts of private enterprise. During this time period, approximately 12,000 new residential units have been developed, in addition to over 10,000 new hotel rooms, 11 million square feet of office space and 2.5 million square feet of retail space.

In 1975, the San Diego City Council, acting as a redevelopment agency for the City, formed the Centre City Development Corporation (CCDC) to oversee the planning and development of the redevelopment districts. Initially, four major redevelopment districts, covering approximately 350 acres, were formed. The expansion has resulted in the following eight districts: Civic/Core, Columbia, Marina, Horton Plaza/Gaslamp Quarter, East Village, Cortez, Little Italy and Convention Center.

The Horton Plaza Redevelopment District is commonly thought of as the centerpiece of downtown redevelopment in San Diego. This district is located near the center of downtown and comprises the entire Horton Plaza shopping mall, a 5.5 block retail center. The original Columbia Redevelopment District is located west of Horton Plaza toward the waterfront and was established to emphasize high-density office and commercial development. The Gaslamp Redevelopment District was formed to emphasize historical preservation of existing buildings for entertainment, mixed-use, and retail-type uses. The Gaslamp Quarter District is located east of Horton Plaza, covering approximately two city blocks between Fourth and Sixth Avenues from Broadway to the waterfront. The Marina Redevelopment District is located south of Horton Plaza and emphasizes low, mid and high-rise residential uses and mixed-use projects.

The subject is located within the Core district of downtown San Diego. A brief overview of each district, followed by a map, is presented below.

Civic/Core: Civic/Core serves as the center of downtown, both physically and functionally, where Federal, State, County and City government offices combine with office, cultural, hotel and some residential activity. Planning focuses on reinforcing this role, while improving civic spaces to invigorate the public realm.

Civic/Core emerged as a business center in the early 1900s, starting with a concentration of business-related activities along Broadway. North of Broadway was predominantly residential prior to the 1915 Panama California Exposition. Diverse land uses – including hotels, office buildings, theaters and department stores – were introduced during the Exposition era. The Community Concourse and Westgate Hotel, completed in 1964, contributed to the district's business dimension, and the City offices combined with nearby government offices have served as an important locational draw for related businesses and services.

The Civic/Core's department stores closed during the 1960s with sub-urbanization, which in effect re-focused its role downtown as the office center. The 1980s brought development of several high-rise

office and hotel towers and renovation of Copley Symphony Hall. However, since that period, new office construction has largely occurred in the Columbia District, located west of Civic/Core.

Although perceived as an office district, Civic/Core contains a variety of uses that make it dynamic.

Columbia: Situated on the western edge of downtown, Columbia's distinguishing characteristic is its waterfront orientation. In 1887 a Victorian-style railroad depot was built between Broadway and California, and in 1913, the area west of Pacific Highway was filled. Construction of Broadway Pier followed. The current Santa Fe Depot replaced the original station in 1915 and municipal warehouses began to fill in the area at the foot of Broadway. By the 1930s, recreational uses were added, included Lane Field – home to the original San Diego Padres of the Pacific Coast League.

Today, Columbia has evolved into a diverse neighborhood comprising office buildings, hotels, retail uses, residential development and museums. Already home to some of San Diego's tallest building – including One America Plaza, Emerald Plaza, and the First Allied Plaza, plus a number of emerging residential towers – Columbia has a high-rise concentration nearing Civic/Core's in intensity. Additionally, Columbia's office sector not only functions in tandem with Civic/Core, but also represents the most recent office development within downtown. Waterfront uses include the Broadway Pier, the busy and expanding Cruise Ship Terminal, ferry landing and hotels and parking lots along Harbor Drive. The Santa Fe Depot remains an important transportation hub as a terminal for northbound Amtrak and Coaster trains, and a major transfer point for transit buses and the San Diego Trolley.

Much of the waterfront is under the purview of the Port, which has land use authority on tideland properties, and has worked collaboratively with other agencies to develop the North Embarcadero Visionary Plan (NEVP).

Marina: Marina – also located on the waterfront – has undergone almost complete transformation as an urban residential neighborhood. While housing dominates areas east of Pacific Highway, the waterfront contains hotels, restaurants, and Navy facilities. With the exception of development on Port-controlled sites (Seaport Village and Old Police Headquarters) and the Navy Broadway Complex, Marina is not expected to accommodate significant growth. Planning focuses on completing this neighborhood with needed shopping and open space, and improving access to one of Marina's finest assets – San Diego Bay.

Contrary to its residential appearance, Marina originally developed as an industrial area serving the downtown waterfront. Parcels near the waterfront held the US Navy Air Station Depot, wholesale fish warehouses, truck yards, and coal yards. The neighborhood is also a home to San Diego's original Asian American community, attracted to the area with the building of the railroad at the end of the 19th century.

Numerous residential buildings have been constructed in the past ten to fifteen years, and more are either planned or under construction. The housing stock includes single-room occupancy (SRO) hotels and rental housing in addition to upscale lofts, luxury condominiums, and penthouse suites. Marina's largely residential character is diversified by hotels and tourist commercial uses generally located along Harbor Drive. These waterfront development patterns currently impede access from the main neighborhood, and are under the jurisdiction of the San Diego Unified Port District. Cultural

components are woven into the heart of Marina, such as the Asian Pacific Thematic Historic District and museums. Downtown's first major supermarket lies in Marina with sporadic street-level retail providing additional shopping opportunities.

Horton Plaza/Gaslamp Quarter: The Gaslamp Quarter and Horton Plaza represent two of downtown's earliest success stories. Both possess significant draws for entertainment, shopping, arts and culture, and dining and have served as catalysts for redevelopment of other downtown neighborhoods. Horton Plaza – combining a festive regional shopping center with residential, theater and hotel uses in an urban format – is at or near built-out status. Gaslamp Quarter, a National Register Historic District revived with nightclubs, boutiques, restaurants, residences and offices, is almost fully built-out as well.

The Gaslamp Quarter was downtown's first commercial and business center, linking to the original waterfront at the southern end of 5th Avenue. After progressing through times of ill-repute and abandonment, revitalization efforts began in the late 1970s and early 1980s, and were aided by Horton Plaza's success. Today, Gaslamp has emerged as San Diego's prime entertainment and celebration destination. Conventioneers, baseball fans and weekend diners congregate here for its lively mixture of restaurants, cafes, nightclubs and bars. Streets are sometimes closed for special events, making this a haven for festive crowds. The entertainment uses are served well by the neighborhood's historic buildings, which provide a fine-grained, pedestrian-scaled environment and recall the district's colorful past.

Horton Plaza offers a blend of specialty retail, department stores, movie theaters and hotels within its colorful walls that is a draw for tourists, residents, and teenagers alike. Two performance venues are located within Horton Plaza – the Lyceum Theatre and historic Balboa Theatre. The open-air mall was built as part of downtown's first redevelopment efforts, and served to bring people back into an area that was forgotten in the early 1980s. Its inward-facing architecture and street grid closures interrupt neighborhood fabric connectivity, but were considered essential to the project's success in the pioneering years of redevelopment.

East Village: The East Village is one of downtown's largest, fastest-changing, and most diverse neighborhoods. This area is developing as a residential district complemented by Neighborhood Centers, employment areas, flexible use zones and public spaces. A variety of activities, ranging from academic endeavors at City College, to entertainment at Petco Park, arts at the new main Library, and human services, will ensure the area maintains the eclectic character that makes it unique. East Village is at the center of much of the growth proposed under the Community Plan, and it will experience considerable transformation over the next 20 years.

Encompassing the area roughly east of 6th Avenue, this district has been traditionally less developed than areas closer to the waterfront and business core. Its southern portions began as a warehouse district, with manufacturing, processing, distribution and storage enterprises operating in conjunction with waterfront trade activity. As a significant share of maritime commerce moved away from San Diego Bay and industry moved to outlying areas, this part of downtown experienced substantial blight.

East Village has evolved with a mixture of multi-family residential, light industrial and warehousing; artists and design studios; residents in pockets of small California bungalows; and human service providers and users. The northern portions of East Village, once a part of Balboa Park, house City

College and San Diego High School, anchors of an academic and institutional zone. To the south, the 2004 completion of the Petco Park baseball stadium has caused the growth of a vibrant residential, employment, and entertainment district complementing the successful Gaslamp Quarter to the west. Catalyzed by this success and by market pressures in downtown as a whole, new project – primarily residential-oriented – are spreading throughout East Village, making it one of the most dynamic redevelopment areas of downtown.

Cortez: Cortez rises north from the Civic/Core, and enjoys enviable proximity to Balboa Park. It is downtown's oldest residential neighborhood, and home to historic landmarks such as the restored El Cortez Hotel and St. Joseph's Church, and apartment buildings and hotels dating to the 1915 Exposition.

Cortez Hill – the eastern portion of the neighborhood – is, with the exception of aircraft noise, a relatively tranquil area and the highest point in downtown. Restoration and re-use of El Cortez Hotel has, in part, catalyzed residential activity. The western portions of Cortez also contain landmark buildings and residential uses, as well as the California Western School of Law, offices, churches, and some SROs. The San Diego Bay can be seen to the west and as well as the south, giving the neighborhood some of the best inland views in downtown.

Little Italy: Little Italy has rich history reflected in its traditional commercial district centered on India Street and a historic relationship to the northern waterfront. A close-knit community of Italian immigrants gave Little Italy its ethnic heritage, but the neighborhood's history as home to the tuna fishermen and their families as well as decades of working class residents reinforces Little Italy's cohesiveness. Redevelopment has yielded mixed housing types from SROs to luxury units, and many commercial services, artists and designers have made use of older buildings in the northern portions. Residential components will continue to intensify, but the varied land use character in the north and commercial corridor on India will help to maintain the special character and culture.

Several environmental, locational, and cultural influences converge in Little Italy. Airport over flight restrictions, as well as solar access requirements, provide the neighborhood with light, and views from local street to the water reinforce the Mediterranean atmosphere. India Street is a vibrant and successful main street. The historic Our Lady of the Rosary Church endures as a community hub. Another historic icon is the County Administration Center (CAC) on the waterfront, where existing surface parking is planned for redevelopment with park lands. Little Italy has a public elementary school, reflecting its stature as an evolved neighborhood.

Convention Center: The Convention Center district lies in southeast downtown, at the edge of the San Diego Bay. The San Diego Convention Center facilities are visually dominant, but the district also contains storage areas and rail maintenance facilities. The district is characterized by large sites and many buildings with very large footprints, which form physical, visual and psychological barriers to the Bay. It is designed for automobile, rail, and truck traffic, not for pedestrians. Virtually all of the existing uses are here for the long-term, with the only redevelopment opportunity in the industrial area.

The San Diego Convention Center has announced a Phase III expansion, involving construction of significant new exhibition and meeting space. Various sites have been explored. Policies establish the parameters for large facilities (greater in size than a single block), to ensure consistent

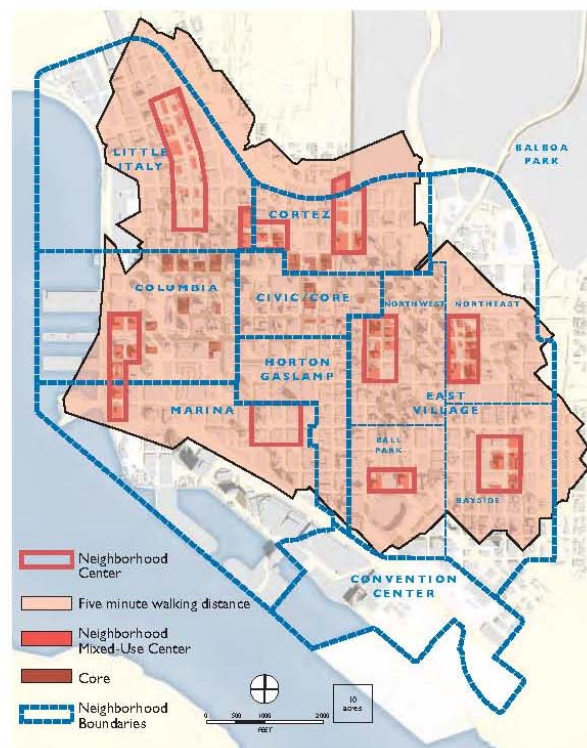
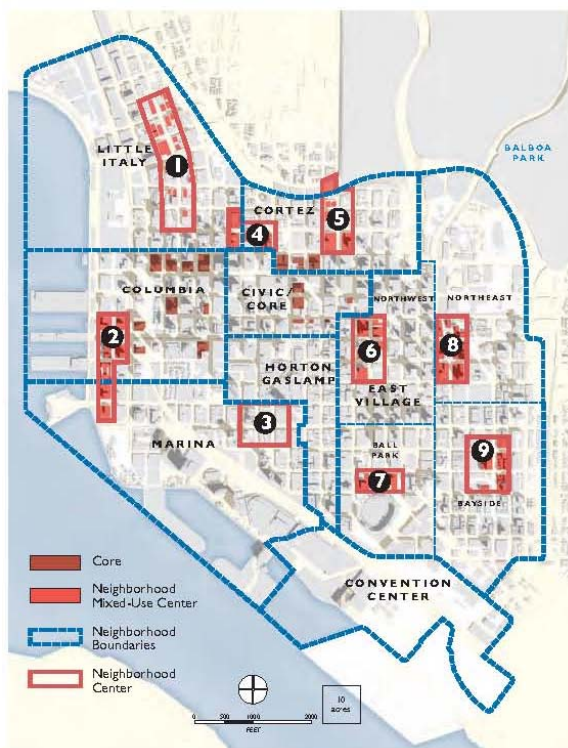
neighborhood fabric and grain, protection of designated views, maintenance and enhancement of the street grid, and potential limits on above-ground commercial uses to avoid diminishing the viability of the Neighborhood Centers.

Except for portions of the rail yards and a very small area at the southeastern edge, development in this district is regulated by the Port of San Diego; coordination between various agencies will be essential to ensure that views and access to the water are maintained.

The following page includes a map depicting the Planning Districts according to the Downtown Community Plan and the Centre City Planned District Ordinance.

Table 5-2: Neighborhood Centers Locator and Descriptions

Location	Neighborhood (keyed to map)	Type	Existing or New	Description/Key Features
1 India St	Little Italy	Main Street	Existing	Mixed shops and services catering to traditional neighborhood; with restaurants, cafes, and boutiques drawing visitors. Streetscape improvements underway.
2 Harbor Dr	Columbia and Marina	Expanded Main Street	New	Waterfront retail/restaurant district, serving workers, residents, and visitors.
3 Market St	Marina	Main Street	New	Stretching along the re-landscaped boulevard, incorporating current site of Ralph's supermarket. Reinforce retail and pedestrian character along G and Market Streets.
4 6th Ave	Cortez	Main Street	New	Active frontages lining two-way connecting street. Linking Balboa Park/freeway lids and Core, stitching West Cortez and Cortez Hill together.
5 7th, 9th Ave, C and F St	East Village – Northwest	Plaza	New	Cultural focus and retail along main street. Half-block park providing backdrop to historic Post Office building. Center also includes plaza facing C street transit corridor.
6 Park-at-the-Park, J St	East Village – Ballpark	Combined Main Street, Plaza	New	Focusing on Park-at-the-Park and along J Street. Incorporating historic buildings, ballpark-centered activities.
7 13th St	East Village – Northeast	Main Street	New	Parallel parks along fault lines where feasible. Active frontages lining parks and street.
8 14th, 15th, Island, and J St	East Village – Southeast	Plaza with adjacent Main Street	New	Large plaza lined with retail uses on surrounding streets and adjacent buildings, and providing recreational opportunities, linked via linear park to East Village green. Combined with active frontages along 15th Street.



An important feature of Centre City is the Bayline of the San Diego Trolley, which extends through the linear park from the Gaslamp Trolley/Convention Center Station at Fifth Avenue south to the Convention Center West Station at First Avenue and J Street to the Seaport Station at the corner of Harbor Drive and Market Street. The Bayline Trolley circles the downtown area providing access to the business district, the majority of the downtown area, the waterfront, the San Diego Convention Center, Seaport Village, and the Embarcadero. Trolley stations are located at the One America Plaza Building, the San Diego Civic Center, Fifth Avenue at C Street, City College campus, Market Street, and 12th Street, Imperial and 12th Street, and the stations along the King Promenade.

Downtown is served by three major freeways, Interstate 5, State Routes 94 and 163, affording it excellent freeway access. Interstate 5, a north-south freeway extending north from the Mexican border, provides several access points into the downtown area including interchanges at Laurel and Grape Streets, First and Sixth Avenues, Park Boulevard, Pershing Drive and Broadway. In the vicinity of downtown, Interstate 5 consists of four travel lanes in each direction.

State Route 94, which is an east-west freeway, connects Downtown with East San Diego County including the communities of Rancho San Diego, Lemon Grove and La Mesa. It too has four travel lanes in each direction as it approaches the downtown area. Access into Centre City is achieved via exit ramps onto Laurel Street, Park Boulevard, B Street, Broadway, and First and Sixth Avenues with Interstate 5. State Route 163 extends roughly north-south from Interstate 15 in Kearny Mesa into downtown via Ash Street. Consisting of two travel lanes in each direction as it approaches downtown, State Route 163 enters the Centre City street system via interchanges with Interstate 5 with average daily traffic counts of 115,400. Both State Routes 94 and 163 dead end into Centre City.

The major north-south arterials in Downtown, referred to as crosstown links, are Fourth, Fifth and Sixth Avenues, 16th Street, Kettner Boulevard and Pacific Highway. The corresponding east-west arterials are Broadway, Market Street, Harbor Drive, and Laurel Streets.

In summary, Downtown has experienced a renaissance since the mid-1970s due to the committed efforts of both public and private enterprise. Offering the largest concentration of Class A office space in San Diego County, in addition to residential units and a well-established night life, Downtown has evolved into a 24-hour downtown environment.

MARKET CONDITIONS**CoStar Group**

According to CoStar Group (more information included in Addendum, Exhibit B), the downtown office market was analyzed in the following segments:

Downtown Office Category	Existing Buildings	5-Year Average Existing Buildings	Existing Sq. Ft.	5-Year Average Existing Sq. Ft.	Gross Rent PSF	5-Year Average Gross Rent PSF	Availability Rate	5-Year Average Availability Rate
All	258	265	13,479,056	13,348,994	\$2.50	\$2.19	17.8%	19.5%
Class A	17	16	6,683,379	6,427,379	\$2.86	\$2.43	13.7%	16.4%
Class B	76	77	4,426,180	4,458,180	\$2.25	\$2.05	27.8%	27.3%
Class B Over 100,000 Sq. Ft.	12	12	2,745,229	2,745,229	\$2.25	\$2.06	40.6%	33.3%
Class C	165	172	2,369,497	2,463,435	\$2.17	\$1.80	10.5%	13.8%
Class C Over 100,000 Sq. Ft.	3	3	541,809	552,280	\$1.81	\$1.71	14.3%	17.2%
Primary Competition	9	9	2,003,221	2,003,221	\$2.24	\$1.99	28.3%	34.0%
12 Stories and Over	27	26	9,268,629	9,023,100	\$2.57	\$2.26	20.0%	20.4%
16 Stories and Over	23	22	8,494,981	8,238,981	\$2.62	\$2.31	20.1%	20.2%
20 Stories and Over	18	18	7,215,797	7,215,797	\$2.67	\$2.32	20.2%	20.9%

With only two exceptions, current availability is down from the corresponding five year average. The two exceptions are Class B Office and Class B Office over 100,000 square feet (the latter having the highest availability in the survey). These are the two categories most comparable to the subject.

The following is a summary of the CoStar figures for Class A and B office space and the availability of large space and full floors:

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Building/Location	Quality/ Class	Bldg. Sq. Ft.	Sq. Ft. Available	Availability/ Asking Monthly Rental Range PSF	Available Full Floor(s)	Onsite Parking Spaces Per 1000 Sq. Ft.
The Executive Complex 1010 2nd Avenue	B	324,341	60,457	18.6% \$1.20 - ?	1	1.00
Centre City Plaza 233 A Street	C	101,344	41,317	40.8% \$1.59 - \$2.40	1	0.00
110 Plaza 110 West A Street	B	307,374	156,535	50.9% withheld	6	1.48
610 West Ash Street 610 West Ash Street	A	177,489	14,233	8.0% withheld	0	2.24
Five Thirty B 530 B Street	B	232,936	28,879	12.4% \$2.35	1	0.67
600 B Street 600 B Street	B	359,218	66,435	18.5% withheld	8	1.00
707 Broadway 707 Broadway	B	179,220	75,092	41.9% \$2.10 - \$2.55	7	2.00
2 Columbia Place 1230 Columbia Street	B	143,574	30,036	20.9% \$2.45 - \$2.75	0	1.70
The Chamber Building 110 West C Street	B	177,725	93,818	52.8% \$2.25	0	1.25
Totals		2,003,221	566,802	28.3%	24	

There is no building that can even come close to accommodating the 314,545 square feet at the subject property under the assumption of single tenant occupancy except the subject property.

CB Richard Ellis

According to information provided by CB Richard Ellis Company as of the end of the second quarter 2016, the downtown office market had the following results:

<u>Market</u>	<u>Rentable Sq. Ft.</u>	<u>% Vacant</u>	<u>% Available</u>	<u>Weight Average Lease Rate PSF</u>
Class A	6,209,479	6.7%	14.7%	\$2.97
Class B	3,247,066	31.0%	34.2%	\$2.38
Class C	<u>2,442,284</u>	<u>12.3%</u>	<u>14.9%</u>	<u>\$1.83</u>
Total	11,898,829	14.5%	20.0%	\$2.53

Cushman & Wakefield

Cushman & Wakefield's second quarter 2016 report indicates the following:

<u>Market</u>	<u>No. of Projects</u>	<u>Rentable Sq. Ft.</u>	<u>% Vacant</u>	<u>% Available</u>	<u>Weight Average Lease Rate PSF</u>
Class A	13	5,665,557	8.3%	12.4%	\$2.83
Class B	21	2,724,485	21.9%	25.7%	\$2.46
Class C	<u>14</u>	<u>1,596,477</u>	<u>33.5%</u>	<u>33.8%</u>	<u>\$1.53</u>
Total	48	9,986,492	16.0%	19.4%	\$2.47

Jones Lang LaSalle

Jones Lang LaSalle's second quarter 2016 report indicates the following:

<u>Market</u>	<u>No. of Projects</u>	<u>Rentable Sq. Ft.</u>	<u>% Vacant</u>	<u>% Available</u>	<u>Weight Average Lease Rate PSF</u>
Class A	17	6,683,379	9.3%	13.7%	\$2.82
Class B	51	3,926,344	30.7%	32.9%	\$2.20
Class C	<u>42</u>	<u>1,608,377</u>	<u>11.2%</u>	<u>13.3%</u>	<u>\$1.97</u>
Total	110	12,218,100	16.4%	19.8%	\$2.42

Appraiser's Comments

The Downtown office market is characterized by a wide variety of buildings of different vintage in terms of age and style. The two most recent multi-tenant additions to supply (2006-2007) were high quality, Class A buildings for which the subject is not competitive. The most recent single tenant building was completed in June 2015 as a Class A quality build to suit for Sempra Energy who relocated from the subject property.

Office market conditions continue to be oversupplied, but they are on a significantly improving trend.

There is never agreement on the numbers between the various information sources, but it is safe to say that the Class B office segment in downtown San Diego has availability of 26% to 33% with much higher availability in the most competitive buildings to the subject. On the positive side, market participants report that the trend is positive, especially for the Class A segment and this is supported by the trends in the five year averages from CoStar Group. For the Class B segment, increasing rents and strong absorption in the Class A segment will entice more owners to continue to improve their Class B buildings, (a three year trend already).

Other Comments

Numerous market participants were interviewed during preparation of this appraisal and a late 2014 appraisal of the Civic Center Plaza and King Chavez Building, (Improved Comparable 6 and Rent Comparable 2). To protect confidentiality, the comments were not attributed by name.

Even in a rehabilitated condition, the subject property will always be a Class B building. It is a good quality shell that had been well maintained by the previous tenant. The top two office floors, 18 and 19, are improved in an opulent manner as they were, until July 2015, the executive offices for a major public company. Other floors function more as “back office” space. The elevator lobbies are in very good condition. Much of the interior build-out uses a good quality moveable partitioning system of which some market participants are critical relative to appeal.

The location is one block north of the civic center complex, but the main entrance to the building is on the north side which makes it two blocks north of the civic center plaza. Built in a podium style for San Diego Gas & Electric, the west, south and east sides are essentially a wall at the pedestrian sidewalk level. The exception is a small storefront portion on the south side that is presently sealed-off by a decorative metal fence (see photographs). This design somewhat offsets the advantage of the construction quality.

Although the City of San Diego is an attractive tenant, most owners would rather have tenants like Sempra Energy or a major bank. The problem is that, Sempra Energy relocated from the subject property to a new build to suit near the Ballpark in East Village and the major banks are all already represented and not in an expansion mode looking for naming rights on high rise buildings. For an owner, more building wear and tear can be expected from the City’s “back office” operations, especially on full service gross lease terms (as opposed to a triple net lease).

The assumed infusion of \$5,000,000 is \$15.90 per square foot overall which is insufficient to fully reposition the subject building. An additional assumption is that the first two floors will be renovated (concept and plans not submitted for review). If the \$5,000,000 is spent entirely on those two floors, it equates to \$70.03 per square foot. Typically, the top floor and the ground floor are premium rent floors. However, the design constraints summarized above do not make the first floor a premium floor. The overall market rent range for the subject is \$1.50 to \$2.25 per square foot. Differentials in tenant improvement allowances are being amortized at a .0175 monthly constant which equates to an 8% return over a six-year lease term.

With the City of San Diego as the sole tenant, the cap rate for the subject property would be lower (50 basis points) than on a multi-tenant basis.

The key to attracting tenants is, “what do the common areas look like?” The subject common areas are in good condition and the elevator lobbies show very well. However, the floor plates and core areas are laid-out such that the space west of the core is too deep for one perimeter office and not deep enough for an additional double loaded corridor for two offices. This will result in generous use of cubicles. Buyers are very binary about remaining lease term for large tenants and downtown usually offers alternatives for them at that time. The market is such that there is no “all under one roof” alternative in this size range except the subject property. Hence, the current location makes a lot of sense for the City.

There are always some tenants who are not image conscious, but they are not large and they still want some TI money.

Homeless people are being allowed to live in an around the civic center plaza nearby the subject location.

On the hypothetical premise of the appraisal assignment, without the City as the tenant, the subject building is still a “value-add” opportunity at the end of the lease term. Fortunately, the assumption is a 20-year lease term.

There have been several high technology tenants who have leased space in downtown over the past several years. Typically, these tenants have sought locations in University Towne Centre, Sorrento Mesa, Torrey Pines, Sabre Springs, Carmel Mountain Ranch and Rancho Bernardo which are suburban submarkets in San Diego. Even with parking costs considered, tenants have been willing to pay significantly higher rents in those suburban markets than in downtown. Also, older suburban locations present numerous opportunities for adaptive re-use and repositioning to “creative office” space.

Compared to the competitive supply, the subject property is presently best described as a “commodity class” building and a long-term repositioning opportunity. The property does not fit the “core” profile.

All market participants interviewed believe that the downtown market will never stabilize to 95% occupancy (although the Class A segment is making a strong short term run at it). However, all agree that using a 90% occupancy factor is reality and that market rental terms should be estimated targeted to that occupancy level. However, a lower vacancy and collection loss allowance is appropriate for a 20-year lease with a tenant such as the City of San Diego. Turning the downtown market around (to 95%+ occupancy) will take, “some new big idea,” which is not coming. The relatively high investment demand for downtown high rise buildings remains a mystery (unless fee driven advisors motives are analyzed).

PricewaterhouseCoopers - Real Estate Investor Survey

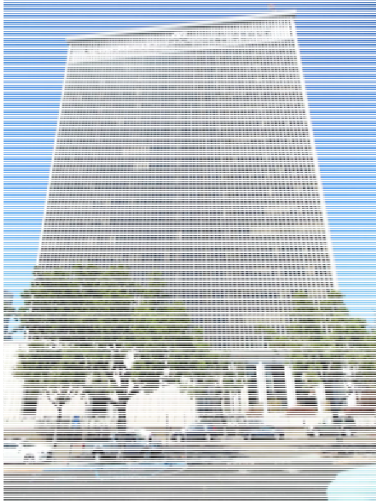
The quarterly PwC Real Estate Investor Survey was reviewed. The data reported in the Survey is collected through numerous interviews with major institutional equity real estate market participants regarding the various cash flow assumptions they use in analyzing various types of investment-grade real estate opportunities throughout the United States. Institutional-grade real estate investments are sought out by institutional buyers and have the capacity to meet generally prevalent institutional investment criteria. Institutional-grade real estate properties are properties that require minimum equity investments from \$5 million to \$50 million. The data provides insight into investors’ criteria and the subject in a value range to qualify as an investment grade asset.

Applicable excerpts from the PwC Survey published in the second quarter of 2016 are included in the Addendum (Exhibit C).

AERIAL MAP



SUBJECT PROPERTY PHOTOGRAPHS



From parking lot east of 2nd Avenue



From the southeast corner of 2nd Avenue and Ash Street



From the southeast corner of 2nd Avenue and Ash Street



From the southeast corner of 2nd Avenue and Ash Street



From the southeast corner of 2nd Avenue and Ash Street



Southerly from the west side of 2nd Avenue

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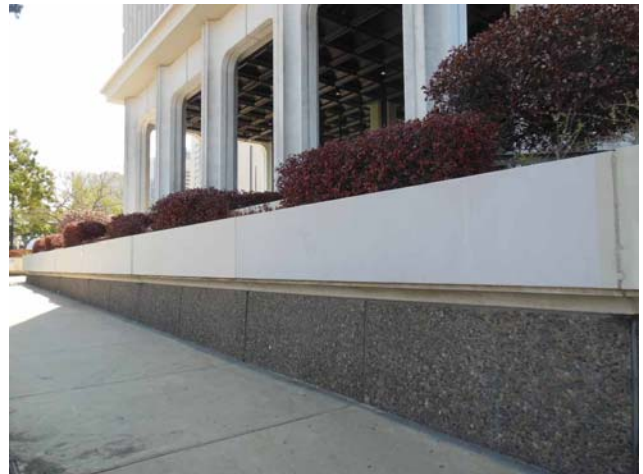
Southwesterly from onsite



Southerly from the south side of Ash Street



Southwesterly from onsite



Southeasterly from the south side of Ash Street



Southwesterly from onsite



Southerly from onsite

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Southeasterly from onsite



Southerly along First Avenue



Easterly from onsite



Southeasterly along First Avenue



Northeasterly from onsite



Easterly from the southeast corner of First Avenue
and Ash Street

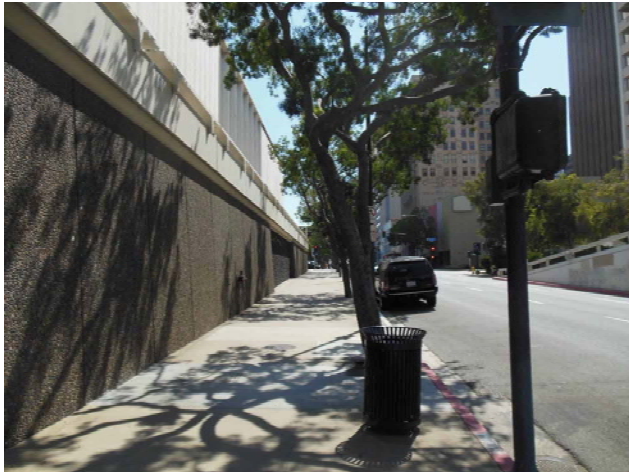
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Easterly from the southeast corner of First Avenue
and Ash Street



Northerly from the northeast corner of A Street and
First Avenue



Easterly on A Street



Northerly from the northeast corner of A Street and
First Avenue

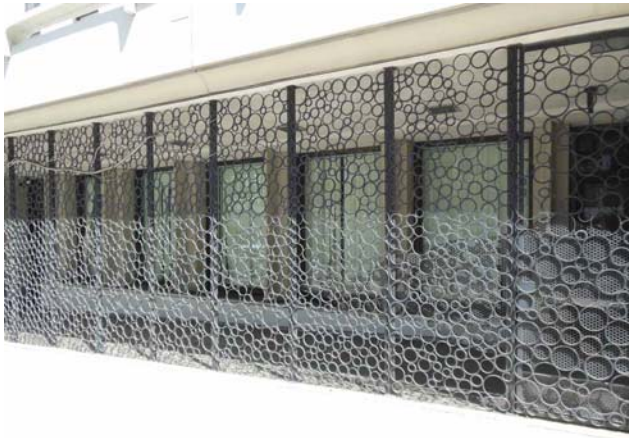


Northeasterly from the northeast corner of A Street
and First Avenue



Westerly from the north side of A Street

101 ASH STREET



Northerly from the northeast corner of A Street and First Avenue (south side storefront)



Northerly from the west side of 2nd Avenue at A Street



Easterly from the northeast corner of A Street and First Avenue



Northwesterly from the west side of 2nd Avenue at A Street



Northerly from the northeast corner of A Street and First Avenue



Westerly from the west side of 2nd Avenue at A Street

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Northwesterly from the west side of 2nd Avenue
at A Street



Plaza area



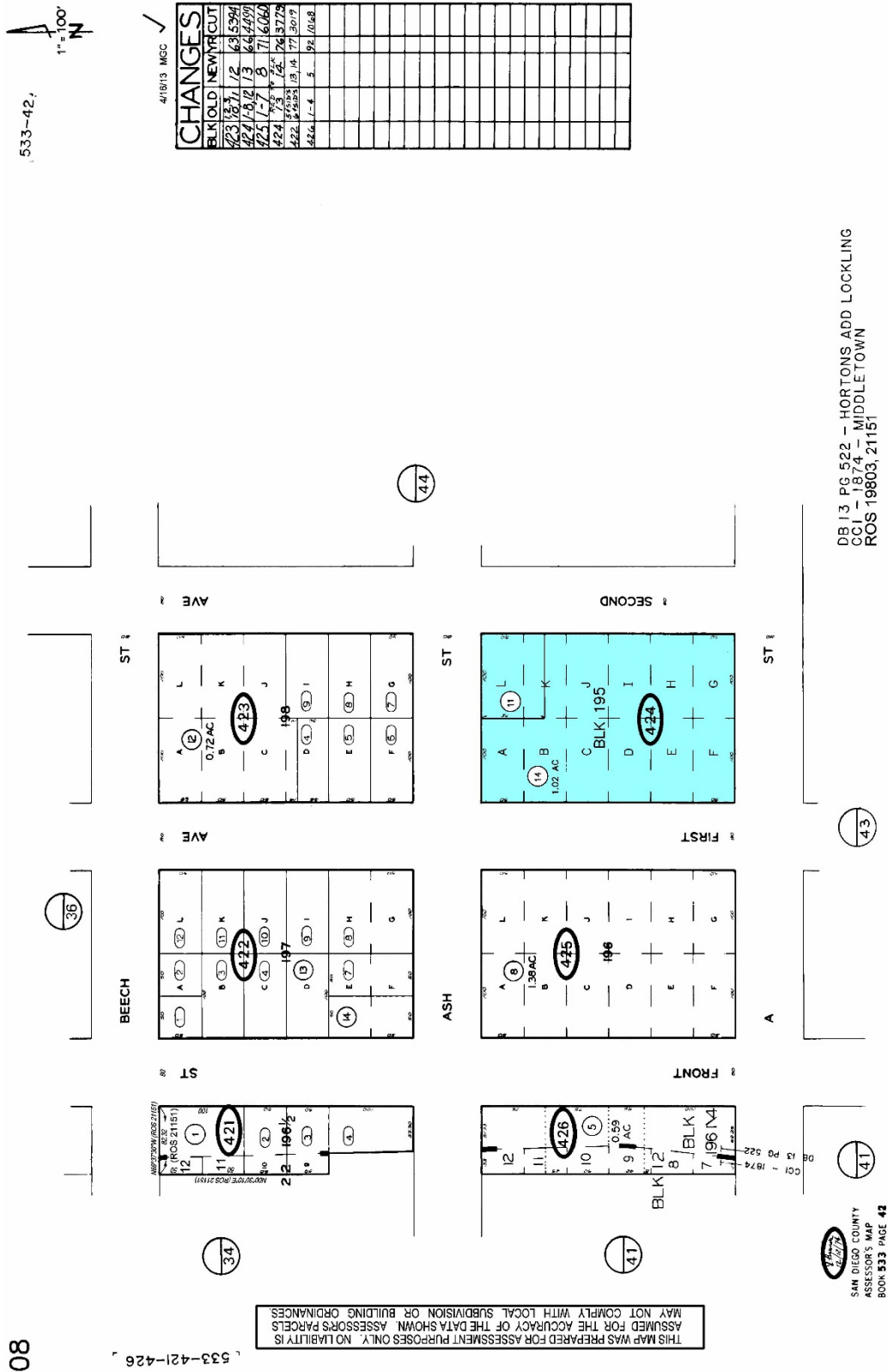
Plaza area



Plaza area

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PLAT MAP



SITE DESCRIPTION

Physical Characteristics

Land area:	According to Assessor's records, there are two parcels on the city block which comprises the subject property. The site area contains 60,000 square feet, or approximately 1.38 acres.
Streets:	<p>The subject property is bounded by:</p> <p>North: Ash Street West - First Avenue East - Second Avenue South - A Street</p>
Shape:	Rectangular
Topography:	The topography slopes downward from north to south, approximately 10 feet.
Drainage:	Assumed adequately engineered. No drainage problems were observed during the inspection.
Off-Sites:	<p>Ash Street, a major one-way, westbound street, is asphalt-paved with concrete curbs, gutters and sidewalks. The intersections at First and Second Avenues are fully signalized. The street has three lanes plus a right-turn lane and a left lane for motorcycle parking.</p> <p>First Avenue is a major one-way, northbound street that is asphalt-paved with concrete curbs, gutters and sidewalks. It has three lanes plus two parking lanes, which have no parking allowed during evening rush hour. The intersections at "A" and Ash Streets are fully signalized.</p> <p>"A" Street is a major one-way, eastbound street that is asphalt-paved with concrete curbs, gutters and sidewalks. It has three lanes and no parking lanes. The intersections at First and Second Avenues are fully signalized.</p> <p>Second Avenue is asphalt-paved with concrete curbs, gutters and sidewalks. It has two lanes southbound and one lane northbound. Metered parking on each side.</p>
Utilities:	<p>The utilities are existing in the area, are underground and provided as follows:</p> <p>Gas & Electric: San Diego Gas & Electric Telephone: AT&T Sewer: City of San Diego Water: City of San Diego</p>

Soil**Conditions:**

No soil report was provided for review. The appraisal assumes that there are no undisclosed environmental and/or adverse subsoil conditions or contaminants that will have any impact on the use, marketability, or value of the property.

Access &**Exposure:**

Occupying an entire city block gives the subject site excellent access and exposure. Ash Street on the north side is one of the main west-bound streets in the downtown area, leading from State Route 163. "A" Street on the south side is a major east-bound street leading to State Route 163. On the west side First Avenue is a major north-bound street leading to Interstate 5 on/off ramps. Second Street on the east side is a less heavily traveled two-way street providing access to Ash or A Streets. Access from southbound Interstate 5 is by an off-ramp at Second Avenue and Cedar Street, two blocks north of the subject. From northbound Interstate 5 there is an exit at Sixth Avenue and Elm Street, from which one can proceed either west on Elm Street to Second Avenue or south on Sixth Avenue to Ash Street. From westbound State Route 94 one can take Interstate 5 north to the Sixth Avenue off-ramp, or take F Street west to Fifth, Seventh or Ninth Avenues and turn right and drive six blocks north to Ash Street.

Existing**Improvements:**

See Description of Improvements section.

Legal Characteristics**Tax Data:**

The following is a summary of the 2015-16 tax information as reported by the Assessor's office via the Treasurer-Tax Collector's internet web site:

APN	Land	Improvements	Total	Taxes	Special	
					Assessments	Total
533-424-11	\$636,403	\$0	\$636,403	\$7,500.86	\$25.74	\$7,526.60
533-424-14	\$3,464,913	\$27,758,246	\$31,223,159	\$405,454.20	\$38,710.10	\$444,164.30
Total	\$4,101,316	\$27,758,246	\$31,859,562	\$412,955.06	\$38,735.84	\$451,690.90

The tax rate does not include special assessments for Vector Disease Control, Mosquito Surveillance, Downtown Business Improvement District, MWD Water Standby and CWA Water Availability.

According to the County Department of Health Services, the County Mosquito/Rat Control Special Assessment is an annual surcharge that provides funding for the Vector Control Department of the County Health Services, which involves the control, and eradication of disease carrying rats, mosquitoes, etc. (vectors). This program was accepted by the City of San Diego as well as the County of San Diego the summer of 1989. Originally the program was proposed and accepted by the County Board of Supervisors with participating cities throughout the county individually approving

participation. The program is expected to continue for several years as it provides a full and needed health service.

The Mosquito/Disease Center Special Assessment is a new program voted on in May of 2005 as an ongoing funding source for additional vector control and disease prevention. The cost is based on property use type with potential annual increases capped at 3.0%.

The CWA Water Availability Special Assessment, according the representatives of the County Water Authority, is an eight year financing program for water facilities and capital improvements. This special assessment financing program was approved in 1989 and instituted into the County tax rolls.

The Downtown Business Improvement District, the total being charged for assessment is for the maintenance of sidewalks, litter removal, public safety, landscaping and tree maintenance, enhanced lighting, security patrols and graffiti abatement in the downtown area.

The MWD Water Standby Charge refers to the Metropolitan Water District Water Standby Charge which was added to the tax rolls for tax year 1992-93. The Metropolitan Water District is the ultimate supplier of a majority of water to San Diego County via the County Water Authority and then to specific water districts. The charge is utilized to fund additional capital improvements for the water district and is charged to all recipients of the district's water.

Flood Hazard Zone: The subject property is not located in a flood hazard area (Zone C) according to the flood insurance maps prepared by the National Flood Insurance Program. The Community Panel No. is 06073C-1885-G, dated May 16, 2012.

The SanGIS Interactive Map included in the Addendum shows that the subject property is in fairly close proximity to several faults and a concealed fault zone.

Earthquake Zone: The property is not located in an earthquake study zone, as indicated under the Alquist-Priolo Special Study Zones, as determined by the State Geologist. However, according to the State of California Earthquake Fault Zone Map, the subject properties are situated in close proximity (just north of) a fault line and concealed fault zones.

Toxic Hazards: A toxic hazard site assessment report was not submitted for review. It is assumed that there are no toxic hazards on site that inhibit development of the property to its highest and best use or have any impact on the development cost, use, marketability or value of the property.

Encroachments: The appraiser is not a qualified surveyor or engineer and it is assumed that no encroachments exist and the property boundaries coincide with those shown on plans and documents provided for review.

Easements: A preliminary title insurance report was not submitted for review. Therefore, the appraisal assumes that there are no covenants, conditions, restrictions, liens or easements that will have any impact on the development cost, use, marketability or value of the property.

Zoning:

The subject property is zoned Centre City Planned District: Public/Civic in the City of San Diego. The abbreviated name is CCPD-PC.

The district provides for a center of government, civic uses, cultural institutions, educational facilities and public and support facilities and it accommodates residential uses. Within the PC District, a minimum 40% of the ground floor street frontage shall contain active commercial uses. Parking facilities (structure or surface) are permitted with a conditional use permit.

The purpose of the Centre City Planned District is to establish land use regulations and design and development criteria to implement the Downtown Community Plan. This Division is intended to establish regulations that will:

- 1) Result in a distinctive world-class downtown, drawing on the City's magnificent waterfront setting, its outstanding climate, and its location as a transportation hub.
- 2) Establish downtown San Diego as the physical and symbolic heart of metropolitan San Diego, and the regional administrative, commercial and cultural center.
- 3) Create an intense yet livable downtown that contributes to the area's vitality and its economic success, and allows residents to live close to work, transit and culture.
- 4) Reinforce transit, with a pedestrian emphasis, while accommodating vehicles.
- 5) Link together a collection of unique, diverse, and memorable neighborhoods within downtown, with a full complement of uses, distinctive streetscapes, character and scale.
- 6) Reconnect downtown's neighborhoods to the waterfront, Balboa Park and the surrounding neighborhoods.

The CCPD has multiple overlay zones. Among those affecting the subject include Floor Area Ratio, Bonus Density Overlay, Street Overlay, Limited Vehicle Access Overlay, Building Height and Sun Access Overlay, and Land Use Overlay.

The Floor Area Ratio for the subject is a minimum of 3.5 and a maximum of 6.0. There is no Bonus Density provision for the subject parcel.

Airport Land Use Compatibility Plan

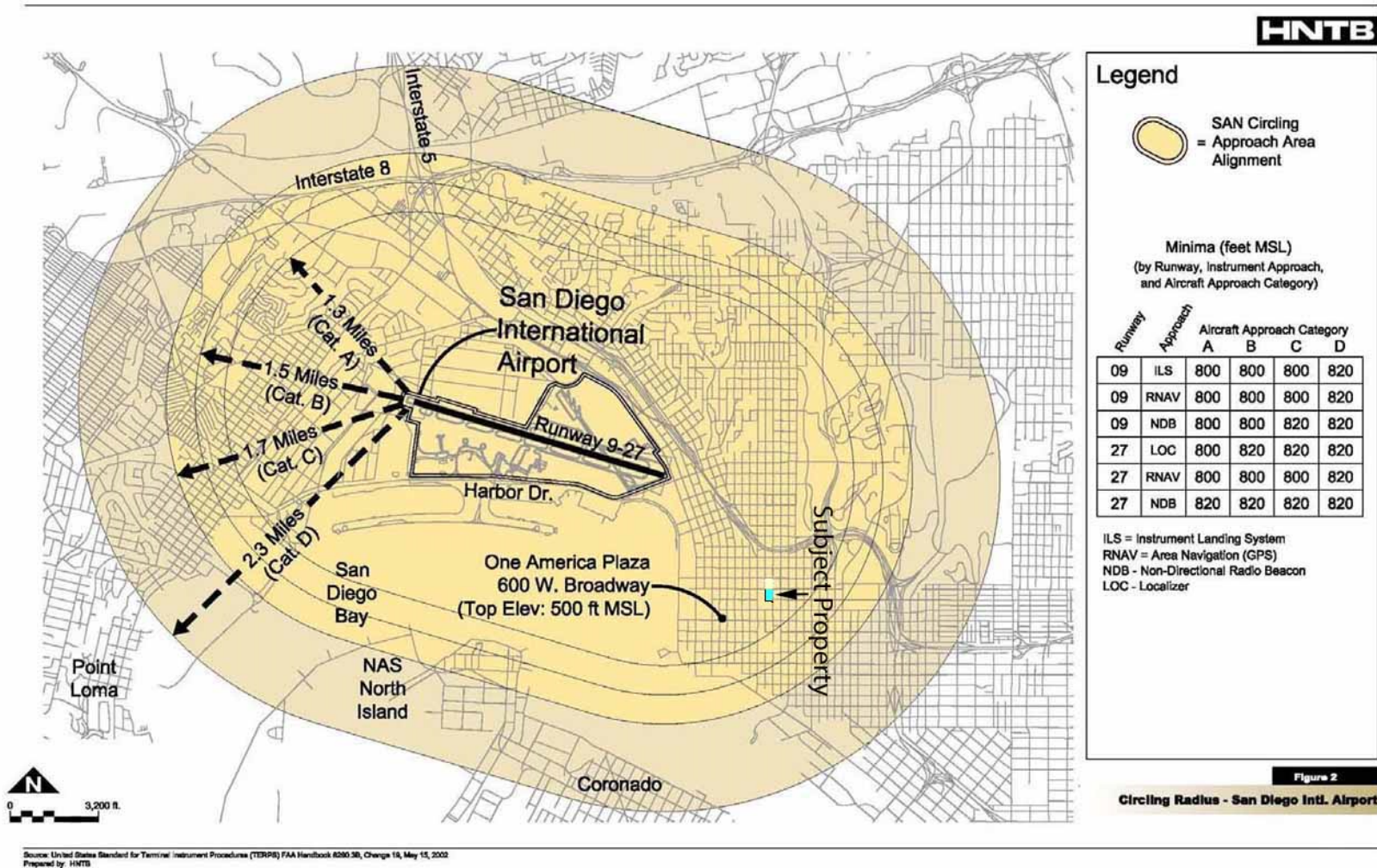
The subject property is located in the Airport influence area of San Diego International Airport (Lindberg Field) as are all properties in downtown San Diego. The map on the following page depicts

the circling radius of the airport showing that all competitive Class A and Class B office properties are also in the same area of influence.

101 ASH STREET

ATTACHMENT Q:
2016 Appraisal of 101 Ash

FIGURE 2
CIRCLING RADIUS - SAN DIEGO INTERNATIONAL



DESCRIPTION OF IMPROVEMENTS

The subject building, a 21-story former institutional headquarters office building, was constructed by San Diego Gas & Electric Company in 1968 as its corporate headquarters. According to Preliminary Report prepared by Stevenson Systems, Inc., it contains 314,545 rentable square feet and has two levels of subterranean parking for 246 cars (per John Krantz of Sempra Energy). Approximately 30% of these parking spaces are tandem. The building areas shown in the Stevenson Systems report are as follows:

101 Ash Street				REPORT DATE: 4/15/15		
PRELIMINARY						
FLOATING FACTOR CALCULATION SUMMARY						
FLOOR	TOTAL AREA MEASURED	USABLE AREA		RENTABLE AREA	LOAD/ADD-ON FACTOR	
		(Single Occ.)	(Multi Occ.)		(Single Occ.)	(Multi Occ.)
B	57770.25	0.00	0.00	0.00	1.0000	1.0000
A	57188.05	0.00	0.00	0.00	1.0000	1.0000
1	38435.49	29473.15	26649.11	36217.18	1.2288	1.3590
2	37050.75	27976.21	26430.43	35182.63	1.2576	1.3311
3	14129.98	11391.21	9961.20	14496.53	1.2726	1.4553
4	13441.50	11293.57	10063.46	14289.07	1.2652	1.4199
5	13441.50	11293.57	10063.46	14289.07	1.2652	1.4199
6	13441.50	10969.43	9739.32	14289.07	1.3026	1.4672
7	13441.50	10969.43	9739.32	14289.07	1.3026	1.4672
8	13441.50	11314.33	10143.50	14289.07	1.2629	1.4087
9	13441.50	10837.70	9678.38	14288.16	1.3184	1.4763
10	13441.50	10969.43	9739.32	14289.07	1.3026	1.4672
11	13441.50	10969.43	9739.32	14289.07	1.3026	1.4672
12	13441.50	11293.57	10063.46	14289.07	1.2652	1.4199
13	13441.50	11293.57	10063.46	14289.07	1.2652	1.4199
14	13441.50	10969.43	9739.32	14289.07	1.3026	1.4672
15	13441.50	10969.43	9739.32	14289.07	1.3026	1.4672
16	13441.50	11293.57	10063.46	14289.07	1.2652	1.4199
17	13441.50	11254.97	10052.42	14289.07	1.2696	1.4215
18	13441.50	11171.98	9926.85	14289.07	1.2790	1.4394
19	13441.50	11178.34	9921.01	14313.11	1.2804	1.4427
20	13359.00	0.00	0.00	0.00	1.0000	1.0000
21	11899.11	0.00	0.00	0.00	1.0000	1.0000
TOTALS	444896.63	246882.31	221516.09	314544.53		1.4200

(c)1985-2015 Stevenson Systems, Inc. / 101AS

APPROVED BY

DATE

Floors A and B are used for parking and Floors 20 and 21 are used for mechanical equipment.

The description of improvements is based upon an exterior and interior inspection and a review of floor plans. The following is a summary of the observed and assumed construction details:

Foundation: Reinforced concrete

Sub-Floor: Concrete slab on grade and lightweight concrete on metal decking (upper floors).

Structural Framing:	Steel framing with blown on fire-proofing (contains asbestos, which is encapsulated but would have to be removed as space is renovated).
Exterior Walls:	Concrete encased walls with special fin-type concrete fenestration with alternating ribbed pattern. Solar glass windows and dark brown glass spandrels in alternate sections.
Electrical:	Westinghouse switch-gear designed for 12,470 volt, 3-phase, 3-wire, 60-cycle service. 480, 277, 208, and 120 volt systems are available in addition to a 160 volt system for the chiller equipment.
HVAC:	Forced air system with perimeter and core zones. Carrier and Trane equipment; 1,272 ton cooling capacity.
Security:	Electronically-controlled access.
Plumbing:	One large men's and women's restroom on each floor. The 18th and 19th floors also have executive restrooms within some offices with showers.
Fire Protection:	Fully automatic sprinkler system, hand held fire extinguishers and fire protection (walls).
Elevators & Escalators:	Eight passenger and one service elevator which serves all floors, except the 21st.
Roof Structure:	Lightweight concrete and metal deck.
Roof Cover:	Built-up composition. Re-roofed in 1993.
Parking:	According to a parking lot lease with Ace Parking, there are 225 spaces or a ratio of .72 space per 1,000 square feet. Approximately 25% are tandem spaces that require the driver of the second car in to leave the key with an attendant.
Ground Floor and Entry:	The ground floor portion of the building, at the entry area, has two-story polished granite fascia with two-story solar glass windows in bronze frames. There are also large concrete columns and a special lighting section in front of the building. There is a concrete deck around the ground floor level and a tile entry. Precast concrete planter boxes with attractive landscaping decorate the entry. Polished granite steps lead to the entry. A wall composed of pebbled concrete extends along the street frontages of the building. Since the grade goes downhill from Ash Street, the entries to the first parking level are at street grade on the south end of the site. The parking garage access is from both First and Second Avenues.

Interior Finish

Sub-Basement (B Level):	Parking garage with smooth concrete floor, concrete columns, concrete walls and exposed concrete ceiling with fluorescent lighting. Electrical and mechanical equipment rooms and maintenance facilities are located on this level.
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- Basement (A Level): Parking garage with smooth concrete floor, plaster painted and concrete walls and exposed concrete ceiling with fluorescent lighting.
- Ground floor: The ground floor has a large lobby area with security station for visitors and card controlled access for employees. The remainder of the floor has offices and a conference room with triple partition dividers. The entrance lobby is two-stories high with polished granite and glass walls. The two auditoriums have carpet and vinyl on the floor, wood paneled walls and a blown acoustical plaster ceiling with incandescent and fluorescent lighting fixtures.
- Public area on the ground floor have terrazzo and rubberized tile floors with metal grids, vinyl covered walls and luminous ceilings with recessed blown acoustical plaster ceiling sections with fluorescent lighting.
- Second Floor: Mostly open landscape office with some private offices. The flooring is carpet and vinyl and there is a center raceway for cabling. There is extensive lighting with 2'x4' recessed fixtures in almost every 4'x4' position.
- Third Floor: Carpeting in elevator lobby and hallway. Vinyl covered wall with vinyl base, blown acoustical and plaster ceiling, recessed fluorescent lighting.
- Fully equipped with a complete kitchen, hot lines, refrigerated storage, dishwashing room, etc.
- 4th - 16th Floors: Typical finish on these floors is carpeting, painted drywall or vinyl covered walls with vinyl base, and blown acoustical or suspended acoustical tile ceilings with recessed fluorescent lighting.
- 17th - 19th Floors: These floors comprise Sempra' former executive level. The 19th floor is especially highly improved with a board room, as well as a kitchen and dining room (see photographs).

The building contains asbestos fireproofing. Reportedly, it has been removed in all accessible areas on floors 1 and 17 through 19. On the remaining floors the asbestos below the floor decking has been removed; on the underside of the floor decking the asbestos has been encapsulated. An operations and maintenance program has been in place since the 1990s. This is typically adequate if construction or maintenance work is not likely to disturb it.

The two subterranean parking floors contain parking for 246 cars, or 0.9 per 1,000 square feet of rentable area. Approximately 30% of these spaces are tandem. Some of the garage space is used by the tenant for storage, and if may be possible to convert it back to parking for additional cars. Many of the competitive buildings have a similar parking ratio of about one space per 1,000 square feet. Some buildings have as many as 2.0 spaces per 1,000 square feet, but the current City code calls for a maximum of 1 space per 1,000 square feet. Because of the availability of public transit and many surface parking lots in the neighborhood, the subject's parking ratio is considered adequate. The high ratio of tandem parking will require an additional parking attendant, which is considered in the expense estimates.

The building was completed in July 1968, is chronologically 48 years old and it has been well maintained and undergone some interior renovations. The effective age is estimated to be 30 years and the remaining economic life is estimated to be +/-50 years (see below).

Remaining Economic Life

Requested in this appraisal was an estimate of the remaining useful life of the improvements which is, essentially, the remaining economic life, assuming appropriate maintenance and repairs as necessary for continued operation.

According to CoStar Group, there are 277 office buildings in Downtown San Diego. Of those, 187 were constructed before 1980 and 96 of those were constructed before 1970. There are nine over 100,000 square feet as follows:

No.	Name Address	Sq. Ft.	Stories	Year Built	Age	Year Remodeled
1	Procopio Tower 525 B Street	447,159	22	1969	47	1991
2	101 Ash Street 101 Ash Street	314,545	21	1968	48	NA
3	The Executive Complex 1010 2nd Avenue	324,341	25	1963	53	1987
4	Five Thirty B 530 B Street	232,936	24	1966	50	1992
5	Torbati Building 625 Broadway	223,475	14	1925	91	2004
6	707 Broadway 707 Broadway	179,220	19	1961	55	2010
7	The Chamber Building 110 west C Street	177,725	23	1963	53	1978
8	Spreckels Building 969 1st Avenue	145,364	6	1912	104	1982
9	Centre City Building 233 A Street	101,344	14	1927	89	NA

The subject property is No. 2 on this list which has an age range of 47 to 104 years and an average of 66 years. Based on this data and the high historical level of building maintenance by Sempra Energy, a total economic life of 80+ years was considered appropriate resulting in a remaining economic life estimate of +/- 50 years.

HIGHEST AND BEST USE

Highest and best use is defined in the Appraisal of Real Estate, (14th Edition, 2013) as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

Typically, proper appraisal practice requires that estimate be made of the highest and best use as vacant, and improved. However, under the hypothetical assumptions of this appraisal, the analysis of highest and best use was not completed.

As Vacant – Not analyzed under the hypothetical conditions of this appraisal.

As Improved – Continuation of the existing use under the hypothetical conditions of this appraisal.

VALUATION SECTION

VALUATION METHODOLOGY

This appraisal includes two of the three traditional approaches to market value.

The Cost Approach is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements are located on the site and for which there exist no comparable properties on the market. The valuation via the Cost Approach is the summation of the estimated reproduction cost new of the improvements, less accrued depreciation, plus current land value, plus entrepreneurial profit. The Cost Approach was not completed as it is inapplicable given the hypothetical conditions of the appraisal.

In the Sales Comparison Approach, recent comparable sales are analyzed on a comparative unit basis. Typically, the comparative units examined are price per square foot and the gross income multiplier (GIM). Certain sales are particularly helpful in abstracting an overall capitalization rate (OAR) for use in the Income Approach. After consideration of the individual comparable sale unit price indications, concluded unit prices are applied to the subject property for indications of value. The indications by the comparative units are then considered as to their relative merits in concluding a single market value by this approach.

The Income Approach has its foundation in the principle of anticipation which states that value is created by the anticipated benefits (income) to be derived in the future. In this approach, the local market was surveyed for current market leasing rates and competitive rental rates were assigned the subject property. On this basis, the gross annual income is estimated. Proper provisions for vacancy, collection loss, and operating expenses were deducted, resulting in an indicated net income before debt service. The net income is then capitalized to a value indication by an appropriate overall capitalization rate (OAR). Another form of the Income Approach is Annuity Capitalization or Discounted Cash Flow Analysis in which a series of cash flows (rent payments) are discounted to a present value and added to the discounted present value of the projected reversion of property value at the end of the lease term.

The value indications by the three methods are then reconciled to a single estimate of the stabilized value, considering the merits of each individual value estimate. The three traditional approaches are based on a stabilized occupancy assuming all tenants are paying market rent.

A second method to estimate value is often employed via discounted cash flow analysis. The method in which the resulting cash flows are discounted at a market-derived rate to provide an estimate of market value was performed via the Argus Financial Analysis Software System for Real Estate. However, under the hypothetical assumptions of 100% occupancy at market rent, the discounted cash flow analysis was not completed.

Typically, the two methods are reconciled for a final estimate of value on a stabilized basis. Subsequently, adjustments are made to the stabilized value to reflect the "as is" value or prospective value.

SALES COMPARISON APPROACH – HYPOTHETICAL VALUATION

The Sales Comparison Approach to value involves the comparison of the subject property with recent sales or other data regarding comparable properties and then isolating pertinent units of comparison, which can be applied to the subject.

The typical unit of comparison that might be considered in the analysis of office buildings would be price per square foot paid for the rentable area. On the following pages is a summary of the sales and following that is a more detailed discussion of each transaction. Location maps and photographs are included in the Addendum (Exhibits E and F).

Summary of Improved Property Data

PROJECT/BUILDING NAME BUYER/SELLER NO. LOCATION	SALE DATE DOC NO.	SALE PRICE	BLDG. SQ. FT.	AVERAGE MONTHLY NOI PSF	NET TO GROSS RATIO	OVERALL CAP RATE	% CASH/ % LOAN
	YEAR BUILT	LAND AREA (ACRES)	FAR	PRICE PSF	PARKING RATIO	% LEASED	EQUITY DIVIDEND RATE
1 The Executive Complex Hammer Ventures/Jamison Services 1010 2nd Avenue San Diego (Downtown)	6/16 0295574 1963 1987	\$54,400,000 (leasehold) 0.69	324,341 10.79	\$167.72	\$0.46 1.00	NA 83.0%	0/151 NA
2 610 West Ash Street Gemini Rosemont/Blackstone Group 610 West Ash Street San Diego (Downtown)	4/16 0168032 1986	\$54,550,000 0.46	177,489 8.86	\$307.34	\$1.47 2.24	NA 98.5%	46/54 NA
3 Procopio Tower LaSalle Investment Management/Hines 525 B Street San Diego (Downtown)	3/16 0119257 1969 1991	\$122,200,000 1.38	447,159 7.44	\$273.28	\$1.32 1.90	54.0% 91.2%	39/61 NA
4 Intuit Headquarters Intuit, Inc./Kilroy Realty 7525, 7535, 7545, 7555, 7565 Torrey Santa Fe San Diego (Downtown)	3/16 0025991 2007	\$262,252,500 11.16	465,812 0.96	\$563.00	\$1.27 3.53	72.0% 100.0%	100/0 6.10%
5 Five Thirty B Bosa Development/Kearny Real Estate 530 B Street San Diego (Downtown)	2/16 0088480 2007	\$53,250,000 0.69	232,936 7.75	\$228.60	\$0.86 0.67	NA 72.0%	36/63 NA
Prior Sale Kearny 530, LLC/Union Bank of California	3/14 0006954	\$29,000,000 0.69	232,098 7.72	\$124.95	\$0.45 0.71	NA 57.0%	0/138 NA
6 Civic Center Plaza - King Chavez Building Cisterra Parnters/Maidman & Mittelman 1200 3rd Avenue San Diego (Downtown)	6/15 0278693 1964 1973	\$44,000,000 1.15	301,758 6.02	\$145.81	\$1.96 1.36	100.0% 100.0%	100/0 NA
7 First Allied Plaza Met Life R. E. Inv./Lone Star Funds 655 West Broadway San Diego (Downtown)	12/14 NA 2005	\$156,850,304 (leasehold) 1.70	391,198 5.28	\$400.95	\$0.26 2.03	62.3% 88.0%	NA NA
8 Douglas Wilson Companies Building 1620 Fifth Ave., LLC/Bosa Development 1620 5th Avenue San Diego (Downtown)	12/14 0549646 1984	\$18,500,000 (leasehold) 0.55	80,651 3.37	\$229.38	\$1.27 2.50	58.7% 95.2%	NA NA
9 5th Avenue Financial Center FAFC9 Owner, LLC/Alessio Investment 2550 5th Avenue San Diego (Midtown)	7/14 0320257 1965	\$39,250,000 1.38	140,832 2.34	\$278.70	\$0.98 2.70	33.6% 68.8%	NA NA
10A 701 B Street Emmes Group of Cos./The Blackstone Gr. 701 B Street San Diego (Downtown)	3/14 0115539 1982	\$120,000,000 1.38	560,329 9.32	\$214.16	\$1.05 0.70	50.3% 84.0%	100/0 NA
10B 707 Broadway Emmes Group of Cos./The Blackstone Gr. 707 Broadway San Diego (Downtown)	3/14 0115539 1961	\$34,900,000 1.03	187,304 4.17	\$186.33	\$0.66 4.20	35.7% 58.0%	100/0 NA

Comparable 1 is a slightly larger, multi-tenant office building located four blocks south of the subject. There is a large lease to the City of San Diego, (see Rent Comparable 3), at a below market rent and

there is future upside in leasing the vacant space. There is also a partial ground lease of approximately 17% of the land that began in 1962 and expires in 2061 with increases every 10 years. Overall, this property is inferior to the subject.

Comparable 2 is a smaller, good quality, multi-tenant office building located six blocks west of the subject. There is only 16.5% cumulative scheduled rollover in the first three years and in-place rents are estimated to be approximately 15% below market. This building is overall superior to the subject.

Comparable 3 is a larger, Class A quality multi-tenant office building sold with 91.2% occupancy so the cap rate would be higher relative to stabilized occupancy under the appraisal assumption. The overall comparison is superior to the subject.

Comparable 4 is a five building, Class A quality, single tenant campus leased to Intuit Corporation. The tenant purchased the property based upon the value supported by the leased fee estate. The location is in Torrey Hills approximately 23 miles north of the subject. It is way out of the subject's price per square foot range and neighborhood but was primarily included as an indication of the cap rate for high quality real estate leased to a very strong credit tenant. The overall comparison is superior to the subject.

Comparable 5 is a smaller, high vacancy, value-add property, located four blocks southeast of the subject, sold on a partial sale-leaseback with Union Bank for 12% of the space. This property is overall superior to the subject.

Comparable 6 is a two-building project acquisition on a lease to own transaction by the City of San Diego who occupies the Civic Center Plaza Building. The square footage is split approximately 89% - 11% between the two buildings and the sale value is split approximately 95% - 5% between the two buildings based the proportion of the appraised value. The King Chavez Building is a charter high school. These properties are overall inferior to the subject. These buildings are located one block south of the subject.

Comparable 7 is a larger, superior quality, multi-tenant office building located seven blocks southwest of the subject. Like Comparable 3, the building sold with 88.0% occupancy so the cap rate would be higher relative to stabilized occupancy under the appraisal assumption. The overall comparison is superior to the subject.

Comparable 8 is a much smaller office building located approximately four blocks north of the subject. It is the former Robert F. Driver Insurance building sold by the Douglas Wilson Companies to Bosa Development. Bosa is a long time downtown residential developer but this purchase is for investment, not rehabilitation and repositioning for residential. It was 95% occupied with 27 tenants. There is a partial ground lease for 10,000 of the 24,000 site (currently \$56,485 or \$.70 per square foot per year) which expires November 30, 2030, but there is a favorable option to purchase the fee interest for \$10,000 any time within 90 days of expiration. This property is overall superior to the subject.

Comparable 9 is a smaller office building located 13 blocks north of the subject. It is the Fifth Avenue Financial Center in which the long time landmark restaurant, Mr. A's (now Bertrand at Mr. A's) is located. It is a value-add purchase for repositioning. Even though, this property is overall superior to the subject.

Comparables 10A and 10B are non-contiguous, value-add properties purchased in the same transaction. Comparable 10A is a much larger building located five blocks southeast of the subject and Comparable 10B is a smaller building located four blocks south of the subject. This is the buyer's second round of purchases in downtown, (the purchase of Comparable 7 being part of the first). Even though they were value-add purchases, these properties are overall superior (10A) and inferior (10B) to the subject.

Adjustments

In analyzing the subject property via the Sales Comparison Approach, a number of quantitative and qualitative adjustments were made.

There were no adjustments required for real property rights; financing; and post purchase costs. The adjustment for the partial ground leases on Comparables 1, 7 and 8 were taken into consideration in the TI's/Access/Quality/Appeal and Economic Characteristics adjustments.

Conditions of Sale:

There were no adjustments required for conditions of sale.

Changes in Market Conditions:

The comparable data spans a range of dates of sale or listing between March 2014 and June 2016. Market conditions are stable after having improved, so the 2014 and 2015 sales were adjusted upward 5%.

Location:

The subject property is located in the downtown area. No adjustments were made for differences in general location.

Size:

Adjustments were made based upon significant differentials in building size.

Age:

Adjustments were made for differentials in the ages of the buildings at .5% per year.

TI's/Access/Quality/Appeal:

Adjustments were made based upon differentials in tenant improvements, access, construction quality, appeal, (including differentials in parking ratio) and specific location. Among the comparables, quality varies, and was considered on an individual basis. The adjustments were made based upon the appraisers experience and judgment.

Economic Characteristics:

Economic characteristics include all the attributes of a property that affect its net operating income including operating expenses, quality of management, tenant mix, rent concessions, lease terms, lease expiration dates, renewal options and lease provisions such as recovery clauses.

Adjustments were also considered for the influence of tenant credit on and the differential between contract rents and market rents at the time of sale. Percentage occupancy at the time of sale was given primary consideration.

The most important factors considered were the projected stabilized occupancy for the subject property of 95% which reflects a 5% vacancy and collection loss allowance based on the assumed 20-year lease term. Tenant credit was also considered. Typically, investors do not purchase investment properties that they feel cannot stabilize and the comparables were a mixture of single and multi-tenant properties with various occupancy levels.

Adjustment Grid

The following is the summary of the adjustment grid:

101 ASH STREET

Summary of Improved Sale Adjustments

Comp. No.	Comparable Name	Sq.Ft.	Sale Price PSF	Cond. Of Sale	Time	Time Adjusted Sale Price PSF	Location	Size	Age 1968	TI's/ Access/ Quality/ Appeal	Economic Character.	Total % Adjustm.	Adjusted Price PSF	Equal Weight	Equal Conclusion	Alternate Weight	Alternate Conclusion
1	The Executive Complex	324,341	\$167.72		6/16	\$167.72	Downtown	Equal	1963	Inferior	Inferior	30%	\$218.04	9.09%	\$19.82	5.00%	\$10.90
2	610 West Ash Street	177,489	\$307.34		4/16	\$307.34	Downtown	Equal	1986	Superior	Equal	-29%	\$218.21	9.09%	\$19.84	5.00%	\$10.91
3	Procopio Tower	447,159	\$273.28		3/16	\$273.28	Downtown	Equal	1969	Superior	Sl. Inferior	-20%	\$218.62	9.09%	\$19.87	5.00%	\$10.93
4	Intuit Headquarters	465,812	\$563.00		3/16	\$563.00	Torrey Hills	Equal	2007	Superior	Equal	-60%	\$228.02	9.09%	\$20.73	5.00%	\$11.40
5	Five Thirty B	232,936	\$228.60		2/16	\$228.60	Downtown	Equal	2007	Superior	Inferior	-10%	\$206.89	9.09%	\$18.81	15.00%	\$31.03
6	Civic Center Plaza - King Chavez B	301,758	\$145.81		6/15	\$153.10	Downtown	Equal	1973	Inferior	Equal	38%	\$210.52	9.09%	\$19.14	20.00%	\$42.10
7	First Allied Plaza	391,198	\$400.95		12/14	\$421.00	Downtown	Equal	2005	Superior	Sl. Inferior	-49%	\$216.81	9.09%	\$19.71	5.00%	\$10.84
8	Douglas Wilson Companies Build	80,651	\$229.38		12/14	\$240.85	Downtown	Superior	1984	Sl. Inferior	Equal	-13%	\$209.54	9.09%	\$19.05	15.00%	\$31.43
9	5th Avenue Financial Center	140,832	\$278.70		7/14	\$292.64	Downtown	Sl. Super.	1965	Superior	Inferior	-29%	\$209.23	9.09%	\$19.02	5.00%	\$10.46
10A	701 B Street	560,329	\$214.16		3/14	\$224.87	Downtown	Sl. Inferior	1982	Superior	Inferior	-2%	\$220.37	9.09%	\$20.03	10.00%	\$22.04
10B	707 Broadway	187,304	\$186.33		3/14	\$195.64	Downtown	Equal	1961	Superior	Inferior	9%	\$212.27	9.09%	\$19.30	10.00%	\$21.23
Indicated Value														100.00%	\$215.32	100.00%	\$213.28

Conclusion

Equal weighting of each comparable produced a price per square foot indication of \$215.32 per square foot. The alternative weight conclusion was \$213.28 per square foot. The alternative weighting placed the most emphasis on the best comparables. After considering the data, a conclusion of \$213.50 per square foot was considered reasonable as follows:

$$314,545 \text{ sq. ft.} \times \$213.50 \text{ psf} = \$67,155,358$$

$$\text{Rounded to} \quad \$67,200,000$$

INCOME APPROACH – HYPOTHETICAL VALUATION

The Income Approach to value is based on the assumption that a relationship exists between the net income a property will produce and its market value. This approach involves an estimate of the annual income a property is capable of producing as well as an allowance for any appropriate expenses, collection losses or vacancies. The net income estimate is then capitalized at a market rate resulting in an indication of value for the subject property.

Summary of Existing Lease(s)

The subject building is approximately 10% occupied by the owners, The Shapery Group and Manchester Financial.

Comparable Rental Data

In order to analyze the rental rates for the subject property and to provide a basis for estimating economic rents, a number of office buildings were surveyed. Location maps and photographs are included in the Addendum (Exhibits G and H).

The following is a summary of the data:

101 ASH STREET

Rental Data and Adjustments

Comp. No.	Tenant Name Building/Project Name/Landlord Address	Date	Sq. Ft.	Lease Term (Months)	(1) Monthly Nominal Rent PSF (Effective Rent)	Expense Basis	Rent Increases	Concession	TI's PSF	(2) Equivalent Rent PSF
1	City of San Diego (Pending Negotiations) 110 Plaza 110 West A Street, some or all of 11 Floors	In Nego. 12/15	165,000	162	\$2,250 (\$2,603)	full service	3.0% annually	6.0 months free rent	\$60.00	\$2,149 \$0.000 \$2,149
2	City of San Diego Civic Center Plaza & King-Chavez Bldgs. 1200 3rd Avenue & 201-209 A Street	6/15	301,758	240	\$0.895 (\$1.143)	NNN	2.5% annually	none	none	\$0.851 \$0.901 \$1.752
3	City of San Diego The Executive Complex 1010 2nd Avenue, Floors 3-14 (scattered)	7/13	141,000	72	\$1.170 (\$1.261)	full service	3% annually	none	\$11.50	\$1.170 \$0.000 \$1.170
4	City of San Diego Hines 525 B Street, Floor 12	7/15	19,684	66	\$1.700 (\$1.820)	full service	3.0% annually	none	\$20.00	\$1.700 \$0.000 \$1.700
	City of San Diego 525 B Street 525 B Street, Floors 3-7	9/13	91,000	72	\$1.360 (\$1.466)	full service	3.0% annually	none	\$17.00	\$1.360 \$0.000 \$1.360
	Cypress Insurance Company 525 B Street 525 B Street, Suites 1050 & 1100	7/14	26,492	84	\$2.600 (\$2.691)	full service	3.0% annually	5.0 months free rent	\$40.00	\$2.458 \$0.000 \$2.458
5	INTO North America Emmes Group 701 B Street	7/16	11,272	90	\$2,250 (\$2.417)	full service	4.0% annually	6.0 months free rent	\$2.00	\$2.190 \$0.000 \$2.190
	Arrowhead General Insurance Agency 701 B Street 701 B Street, Suites 1400, 2000-2200	9/13	89,520	120	\$2,250 (\$2.286)	full service	3.0% annually	10.0 months free rent	\$60.00	\$1.994 \$0.000 \$1.994
6	RIVO Holdings Bosa Development 530 B Street	5/16	18,626	65	\$2,580 (\$2.260)	full service	3.5% annually	5.0 months free rent	turn key	\$2,113 \$0.000 \$2,113
7	Dev Bootcamp Proxima 707 Broadway #800	1/16	5,566	36	\$2,200 (\$2.289)	full service	4.0% annually	none	as-is	\$2,222 \$0.000 \$2,222
8	Harris & Associates Lincoln Property Company 600 B Street, Suite 2000	1/16	6,921	72	\$2,150 (\$2.139)	full service	3.0% annually	6.0 months free rent	\$40.00	\$1,984 \$0.000 \$1,984
	Union Tribune Lincoln Property 600 B Street, Floors 9, 10, 11, 12	11/15	59,164	180	\$2,550 (\$2.876)	full service	3.0% annually	14.0 months free rent	\$85.00	\$2,319 \$0.000 \$2,319

(1) Effective rent is the average rent paid over the entire lease term

(2) The equivalent beginning nominal rent using an annual 3% fixed and compounded compounded rent increase and no concession

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Comp. No.	Tenant Name Building/Project Name/Landlord Address	(2) Equivalent Rent PSF	Changes In Market Conditions	Location and Access	Size	TI's, Age, Quality, Appeal, Parking	Adjusted Rent PSF	Equal Weighting	Total	Specific Weighting	Total
1	City of San Diego (Pending Negotiations) 110 Plaza 110 West A Street, some or all of 11 Floors	\$2.149	In Nego. 0%	Downtown 0%	Equal 0%	Superior -25% (\$0.537)	\$1.612	8.33%	\$0.134	7.50%	\$0.121
2	City of San Diego Civic Center Plaza & King-Chavez Bldgs. 1200 3rd Avenue & 201-209 A Street	\$1.752	6/15 10%	Downtown 0%	Equal 0%	Inferior 10%	\$2.103	8.33%	\$0.175	20.00%	\$0.421
3	City of San Diego The Executive Complex 1010 2nd Avenue, Floors 3-14 (scattered)	\$1.170	7/13 25%	Downtown 0%	Equal 0%	Inferior 15%	\$1.638	8.33%	\$0.137	2.50%	\$0.041
4	City of San Diego Hines 525 B Street, Floor 12	\$1.700	7/15 10%	Downtown 0%	Superior -10% (\$0.170)	Superior -20% (\$0.340)	\$1.360	8.33%	\$0.113	5.00%	\$0.068
	City of San Diego 525 B Street 525 B Street, Floors 3-7	\$1.360	9/13 30%	Downtown 0%	Sl. Super. -5% (\$0.068)	Superior -15% (\$0.204)	\$1.496	8.33%	\$0.125	2.50%	\$0.037
	Cypress Insurance Company 525 B Street 525 B Street, Suites 1050 & 1100	\$2.458	7/14 10%	Downtown 0%	Superior -10% (\$0.246)	Superior -30% (\$0.737)	\$1.721	8.33%	\$0.143	5.00%	\$0.086
5	INTO North America Emmes Group 701 B Street	\$2.190	7/16 0%	Downtown 0%	Superior -10% (\$0.219)	Superior -10% (\$0.219)	\$1.752	8.33%	\$0.146	15.00%	\$0.263
	Arrowhead General Insurance Agency 701 B Street 701 B Street, Suites 1400, 2000-2200	\$1.994	9/13 20%	Downtown 0%	Sl. Super. -5% (\$0.100)	Superior -40% (\$0.798)	\$1.496	8.33%	\$0.125	2.50%	\$0.037
6	RIVO Holdings Bosa Development 530 B Street	\$2.113	5/16 0%	Downtown 0%	Superior -10% (\$0.211)	Superior -20% (\$0.423)	\$1.479	8.33%	\$0.123	10.00%	\$0.148
7	Dev Bootcamp Proxima 707 Broadway #800	\$2.222	1/16 5%	Downtown 0%	Superior -10% (\$0.222)	Inferior 10%	\$2.333	8.33%	\$0.194	15.00%	\$0.350
8	Harris & Associates Lincoln Property Company 600 B Street, Suite 2000	\$1.984	1/16 0%	Downtown 0%	Superior -10% (\$0.198)	Superior -20% (\$0.397)	\$1.389	8.33%	\$0.116	10.00%	\$0.139
	Union Tribune Lincoln Property 600 B Street, Floors 9, 10, 11, 12	\$2.319	11/15 5%	Downtown 0%	Sl. Super. -5% (\$0.116)	Superior -30% (\$0.696)	\$1.623	8.33%	\$0.135	5.00%	\$0.081
(1) Effective rent is the average rent paid over the entire lease term								100.00%	\$1.667	100.00%	\$1.792

Estimate of Potential Gross Income

All are located in close proximity to the subject. All but one are based on full service terms, which is the norm in the high rise market. Comparable 2 was leased on absolutely net terms. The estimated expenses provided by both the buyer and lessee were used to make the adjustment to full service terms. The comparables were not adjusted to a particular floor location as the market rent for each floor will be estimated reflecting a blended overall average

Under the monthly rent per square foot column on the summary is the effective rent per square foot (where there was a specific comparable lease and not an "asking rent"). This is the average rent over the lease term including rent increases and concessions. The right hand column is the equivalent beginning monthly rent utilizing an annual fixed and compounded 3% increase to derive the same effective rent. The adjustments were applied to the equivalent beginning monthly rent. All are leased on full service terms.

Adjustments were made for changes in market conditions as all market participants interviewed confirm that market conditions for high rise office space have improved.

All are located in downtown with good access, so no adjustments were made. Significant differences in size were adjusted in 5% increments (the subject is an extremely large block of space for which there is no current availability in downtown). Differentials in tenant improvements, age, quality, appeal and parking ratio were adjusted based on appraiser's experience and judgment. Minor adjustments for specific location were also made in this category. Differentials in the tenant improvement allowances were adjusted using a monthly constant equating to an 8% interest rate over the initial term of each lease. This was reported by market participants as the norm.

Equal weighting on each comparable produces an estimate of market rent of \$1.667 per square foot. Specific weighting emphasizing the best comparables produces an indication of \$1.792 per square foot. These indicators support an average market rent conclusion of \$1.79 per square foot per month, full service. This conclusion must also have the floor premium embedded into it.

Knowledgeable market participants report that floor premiums are indicated for upper floors based on view amenities and whether the space is in the upper or lower elevator bank. All the elevators at the subject stop at every floor, so the amenity accrues solely for view. As previously noted, the first floor will be renovated but it is not as high a premium floor as the upper floors of office space. The second floor is large and lacks natural light from the windows, so it was valued at the low end of the range. The third floor was given a premium over the second floor as it opens up to the large plaza roof area of the second floor. From there, the rents were estimated at \$1.60 to \$2.25 per square foot as the floors ascend. The average equates to \$1.78 per square foot which was considered sufficiently close to the indication on the adjustment grid.

The market derived typical annual rent increase is 3% fixed and compounded.

Parking Income

Parking revenue and expense figures, prepared by Ace Parking, for the first five months of 2016, were submitted for review. Ace operates the garage pursuant to a month to month lease dated September 1, 2015. Year to date revenue is \$93,926 or \$417 per space for the overall 225 spaces and \$449 per space for the 209 spaces Ace manages which is net of those reserved for the Manchester Financial Group. Under the lease, revenue is split 80% for the property owner and 20% for Ace Parking. However, considering the building occupancy since Sempra Energy vacated the building in July 2015, the revenue figures are based on a gross underutilization. This is especially evident with as the five-month history shows only \$30 in transient revenue.

Joe Logiudice and Darnell Williams of Ace Parking were interviewed regarding the potential revenue for the subject garage. Mr. Logiudice reported that Ace has made a projection of full utilization of \$487,200 with a 75% - 25% split, (the higher split for Ace being due to increased costs to handle the relatively high proportion of tandem spaces). This revenue equates to \$2,610 per space and is primarily based on monthly parking rents at \$180 per space with some event income in the evenings. Monthly unreserved parking ranges from \$170 to \$190 per space. Monthly reserved spaces range from \$200 to \$250. Tandem monthly spaces generally rent for the low end of the range. An example was given at the Executive Complex, (Comparable Sale 1 and Comparable Rent 3), where tandem

spaces rent for \$160 per month, but the demand for monthly rentals is not as high due to lower occupancy.

Previous appraisals of two nearby properties yield comparable data. The Evan V. Jones Parkade is located immediately south of the subject property. Net revenue projections for 2015 were \$1,566 per space for the 1,137 spaces in the 12 story garage. Adjacent to both the subject property and the Evan Jones garage is the Civic Center Plaza Building which has a 411 space garage. Net revenue projected for 2015 was \$1,984 per space.

Several offering memorandums for properties shown as comparables in the Sales Comparison Approach were reviewed. The properties that had onsite parking operations had the following figures:

Comp. No.	Total Spaces	Projected	
		Projected Annual Revenue	Annual Per Space
Confidential	874	\$2,102,954	\$2,406
Confidential	873	\$1,948,896	\$2,232
Confidential	212	\$279,325	\$1,318

Ace parking's projection for the subject property is \$487,200 with a 75% split to the owner or \$365,400 or \$1,624 per space which is within the range of the above comparables. Absent a seasoned operating history reflecting full occupancy for the subject, Ace's projection of 75% of annual revenue of \$487,200 was accepted for use in this appraisal.

As the parking garage is relatively small, reaching 100% utilization would not depend upon reaching stabilized occupancy. Therefore, this revenue category was included below the effective gross income line.

Vacancy and Collection Loss Allowance

The typical allowance for vacancy and collection loss used by investors in pro-forma projections on larger multi-tenant properties is approximately 5% when supply/demand are in balance in the market. By applying a vacancy rate in their projected pro-formas, investors indicate that an annual allowance is appropriate to cover costs associated with times of lower occupancy and turnover in the future. In this case, the vacancy allowance provides for a discount to the value of the property to pay for the future leasing obligations after the tenant turns over. The stabilized vacancy allowance should also provide some reserve for collection losses.

Expectations of investors were taken into consideration. In discounted cash flow models, investors typically apply renewal probabilities and/or a vacancy percentage when analyzing the property on the discounted cash flow analysis. Although discounted cash flow analysis is not being performed in this appraisal, the concepts are relevant.

According to CoStar Group and brokerage company surveys, the downtown office market continues to be oversupplied but there is an improving trend which is more dramatic in the Class A segment than in the subject's Class B segment. However, oversupplied market conditions have not deterred investors who purchase properties based upon stabilized occupancy or on a discounted value-add basis.

Typically, the appropriate allowance for vacancy and collection for a downtown, Class B high-rise office building would be no lower than 10%. However, under the appraisal assumption of a 20-year lease at market rent to the City of San Diego, the appropriate allowance was considered to be 5%. This allowance does not reflect credit risk (collection loss), but reflects a discount to allow for future downtime at the expiration and the capital required for releasing expenses.

Expenses

The subject property is being appraised on the basis of a full service lease, which requires the landlord to pay for all expenses. Subsequently, tenants pay increases in certain expenses over a base year "stop." Only expenses for property taxes and some SDG&E bills were submitted for review. A seasoned history of operating expenses during Sempra Energy's operation of the building was not submitted for review.

During preparation of other appraisals, expense information provided by professional property managers was reviewed along with BOMA office expense survey information for San Diego. The San Diego Chapter of the Appraisal Institute also occasionally holds periodic operating expense seminars in which property managers bring in actual operating expenses from office, retail and industrial properties. Experience with similar projects was also drawn upon as were the projected expenses reported in the offering memorandums (brokers marketing packages) for many of the properties used as comparables in the Sales Comparison Approach.

To assist in estimating operating expenses, the following is a summary of "expense comparables" (Class B office buildings) were surveyed as follows:

Location	Annual Operating Expenses PSF*	Annual Taxes PSF	Annual Total PSF	As of
B Street	\$8.69	\$2.31	\$11.00	2014
B Street	\$9.46	\$2.18	\$11.64	2014
B Street	\$9.60	\$3.24	\$12.84	2014
Broadway	\$10.50	\$2.66	\$13.16	2014
West Broadway	\$9.40	\$2.87	\$12.27	2014
West A Street	\$7.37	\$2.71	\$10.08	2014
West Ash Street	\$9.37	\$3.25	\$12.62	2014
West A Street	\$8.02	\$2.95	\$10.97	2014
Columbia Street	\$7.01	\$3.40	\$10.41	2014
West Broadway	\$9.81	\$4.15	\$13.96	2014
West C Street	\$10.08	\$2.75	\$12.83	2014
West Broadway	\$10.02	\$2.83	\$12.85	2014
West Broadway	\$10.12	\$4.35	\$14.47	2014
3rd Avenue	\$10.68	\$0.73	\$11.41	2014
B Street	\$10.33	\$2.89	\$13.22	2015
West Broadway	\$9.03	\$4.27	\$13.30	2015

* Includes insurance and property management

The following estimate of expenses is based upon an analysis of the information provided, the appraiser's research and the appraiser's experience with similar properties:

Fixed Expenses: Property Taxes are based on a sale of the subject property at the stabilized value and are based upon the current tax rate plus special assessments. However, based on the appraisal premise, property taxes were not projected. Under the same assumption, insurance was also not estimated and projected. This is an estimated reduction of \$.75 per square foot per year.

Variable Expenses: These are the total variable expenses not separately categorized elsewhere such as utilities (not electricity), property management, non-reimbursables and reserves. The costs of these operating expenses generally include repairs and maintenance, janitorial, supplies, security, landscaping and miscellaneous administrative costs. Based on appraiser's experience with other properties, a projection of \$8.50 per square foot was made, for all other items.

Property Management: The same appraisal assumption applies to property management which was not projected. This is a reduction of 2% of the effective gross income per year.

Reserves:

In addition, an expense for reserves and replacements of \$.15 per square foot per year is estimated. These reserves for replacement expense are not included in the reimbursable operating expenses for the subject property; however, a prudent investor would likely include this expense category to cover the future repair and maintenance of short-lived items. Investor's Surveys indicate reserves for replacement ranging between none to \$.50 per square foot per year for central business district and San Diego office market acquisitions.

The following is a summary of Income and Expense Projections:

Income and Expense Projection

**101 ASH STREET
INCOME AND EXPENSE PROJECTIONS**

Floor	Tenant	Square Feet Rentable	Contract Rent Per Sq. Ft.	Market Rent Per Sq. Ft.	Monthly Market Sub-Total
1	Market Rent	36,217	\$0.00	\$1.80	\$65,190.92
2	Market Rent	35,183	\$0.00	\$1.50	\$52,773.95
3	Market Rent	14,497	\$0.00	\$1.75	\$25,368.93
4	Market Rent	14,289	\$0.00	\$1.60	\$22,862.51
5	Market Rent	14,289	\$0.00	\$1.60	\$22,862.51
6	Market Rent	14,289	\$0.00	\$1.60	\$22,862.51
7	Market Rent	14,289	\$0.00	\$1.75	\$25,005.87
8	Market Rent	14,289	\$0.00	\$1.75	\$25,005.87
9	Market Rent	14,288	\$0.00	\$1.75	\$25,004.28
10	Market Rent	14,289	\$0.00	\$1.75	\$25,005.87
11	Market Rent	14,289	\$0.00	\$1.75	\$25,005.87
12	Market Rent	14,289	\$0.00	\$1.75	\$25,005.87
13	Market Rent	14,289	\$0.00	\$1.75	\$25,005.87
14	Market Rent	14,289	\$0.00	\$1.80	\$25,720.33
15	Market Rent	14,289	\$0.00	\$1.90	\$27,149.23
16	Market Rent	14,289	\$0.00	\$2.00	\$28,578.14
17	Market Rent	14,289	\$0.00	\$2.00	\$28,578.14
18	Market Rent	14,289	\$0.00	\$2.15	\$30,721.50
19	Market Rent	14,313	\$0.00	\$2.25	\$32,204.50
Subtotal		314,545	\$0.00	\$1.78	\$559,912.68
					x 12
Annual Gross Income-Rents					\$6,718,952.21
Annual Gross Income - Rents (Rounded)					\$6,718,952
Expense Reimbursement					\$0
Annual Gross Income					\$6,718,952
Less Allowance for Vacancy & Collection Loss			5.00%		(\$335,948)
Effective Gross Income - Building					\$6,383,004
Parking Structure Rent/Net Income					\$365,400
Effective Gross Income					\$6,748,404
Less Expenses					
Fixed	Property Taxes & Special Assessments	\$0.000		\$0	
	Special Assessments	\$0.000		\$0	
	Insurance	\$0.000		\$0	
Variable	Other & Administration	\$8.500		\$2,673,629	
	Property Management (2% of EGI)	\$0.000		\$0	
Reserves	Reserves For Replacements	\$0.150		\$47,182	
Total Expenses		\$8.650	psf		(\$2,720,811)
Net Operating Income					\$4,027,593

Capitalization Rate

The two most common methods of overall capitalization rate derivation are from the analysis of comparable improved property sales or the mortgage equity band of investment analysis. In the Sales Comparison Approach, the range of overall capitalization rates extracted from comparable sales was 7.30% to 7.36%. However, Comparables 1, 5, 7, 9, 10A and 10B are destabilized properties. The remaining five sales have a tighter range between 5.75% and 7.36%. Those five sales sold with 91.2% to 100% occupancy. The following is a summary of the cap rates and occupancy of the comparable properties:

Comparable	Cap Rate	Occupancy	Year Sold
1	3.30%	83.0%	2016
2	5.75%	98.5%	2016
3	5.79%	91.2%	2016
4	6.10%	100.0%	2016
5	4.50%	72.0%	2016
6	7.36%	100.0%	2015
7	5.70%	88.0%	2014
8	6.66%	95.2%	2014
9	4.20%	68.8%	2014
10A	5.86%	84.0%	2014
10B	4.26%	58.0%	2014

The cap rates extracted from properties with destabilized occupancy reflect the expectation of increasing occupancy in the future and are low. However, there is also the additional infusion of capital during the re-positioning and leasing absorption period to be considered which raises the basis. Emphasizing the most recent sales of stabilized properties yields indications of 5.75%, 5.79% and 6.10%. Considering the 100% by the City of San Diego, a cap rate of 6.00% would be reasonable.

The Mortgage Equity Band of Investment reflects current permanent financing, which, occasionally is above or below the permanent loan rates for the comparable improved property sales. This method is helpful to adjust for current loan rates in deriving overall capitalization rates.

According to knowledgeable lenders, there are sources for permanent financing with a 60% to 65% loan to value ratio on an amortization schedule of 25 years with a loan due date between five and 10 years. Interest rates range between 4.00% and 4.50%.

The following is a summary of some band of investment scenarios based on loan quotes received from knowledgeable market participants and imputing a positive leverage component to the equity:

Band of Investment Scenarios

Loan Rate:	4.00%	Loan Rate:	4.25%
Loan to Value:	60%	Loan to Value:	60%
Equity Dividend Rate:	7.50%	Equity Dividend Rate:	8.00%
Amortization (Years):	25	Amortization (Years):	25
Loan:	60% x 0.0633 = 0.0380	Loan:	60% x 0.0650 = 0.0390
Equity:	40% x 0.0750 = 0.0300	Equity:	40% x 0.0800 = 0.0320
	0.0680		0.0710

Loan Rate:	4.25%	Loan Rate:	4.50%
Loan to Value:	65%	Loan to Value:	65%
Equity Dividend Rate:	8.50%	Equity Dividend Rate:	9.00%
Amortization (Years):	25	Amortization (Years):	25
Loan:	65% x 0.0650 = 0.0423	Loan:	65% x 0.0667 = 0.0434
Equity:	35% x 0.0850 = 0.0298	Equity:	35% x 0.0900 = 0.0315
	0.0720		0.0749

Conclusion

The Band of Investment analysis indicates that the appropriate overall capitalization rate today for the subject property would be between 6.80% and 7.49% which far exceeds the range of the comparable sales, especially those sold on a stabilized basis. Thus, the Band of Investment analysis was de-emphasized.

The subject property is being appraised in this section at a 100% market rent pro-forma on a 20-year lease term, with a \$5,000,000 tenant improvement allowance, without deductions for property taxes, insurance and property management and a stabilized vacancy and collection loss allowance of 5%. The appropriate cap rate on that basis was considered to be 6.00%. This cap rate conclusion was also supported by knowledgeable market participants interviewed.

As shown in the Addendum (Exhibit B, PwC Survey), the national survey range for overall capitalization rates for national CBD office properties is 3.50% to 7.50% with an average of 5.55%. For the San Diego office market, the range is 5.25% to 8.50% with an average of 6.81%. The subject is not a Class A quality property, but is a Class B Building. Therefore, the appropriate conclusion of the overall capitalization rate should be below the average of the San Diego office market and above the average of the CBD market which includes more Class A "core" quality properties. The subject, even with in its 20-year lease term, is still a "value-add" type property at the end of the lease term which adds risk.

After considering this data, an 6.00% overall capitalization rate was warranted for the subject property on a 100% hypothetical market rent pro-forma after a 5% deduction for vacancy and collection loss and an annual \$.15 per square foot reserve allowance.

Capitalization

$$\text{Value} = \frac{\text{Net Operating Income}}{\text{Overall Rate}} = \frac{\$4,027,593}{.06} = \$ 67,126,550$$

Rounded to: \$ 67,100,000

Estimate of Market Rent – Absolutely Net

Also requested in this appraisal was an estimate of market rent of the subject property, using the hypothetical condition that the building and the parking facility are fully occupied by the City of San Diego. The market rent reflects a 20-year lease term and a \$5,000,000 investment by the City for tenant improvements, including a complete renovation of the first and second levels (concept and plans not submitted for review). The rent will be on a full net basis, with the City paying for all taxes, insurance, and all operating expenses. The estimated market rent should reflect the use of the parking garage as a pay facility.

Altering the above direct capitalization pro-forma to remove the remaining operating expenses results in an absolutely net rent of \$4,045,323 (\$6,718,952 – \$2,673,629 = \$4,045,323). This equates to \$337,110 per month and \$1.072 per square foot per month.

RECONCILIATION - HYPOTHETICAL VALUATION

The indicated values by the two approaches are as follows:

Sales Comparison Approach	\$ 67,200,000
Income Approach	\$ 67,100,000

The Sales Comparison Approach is helpful in using direct comparisons in concluding an estimate of value. This approach supports the value indicated by the Income Approach and provided market evidence of historical overall rates extracted from sales. Investors frequently look to this method for a rough indication of value. The Sales Comparison Approach was considered to be a good indicator, but was given secondary emphasis in the final conclusion.

The Income Approach would typically be is given strong emphasis since it is based on the income potential of the property and reflects actions of buyers and sellers in the market. The Income Approach was well supported by comparable data, much of which was derived from properties located in extremely close proximity to the subject property. This approach also best recognized the effects of a changing marketplace as it relates to expectations and criteria of active investors.

FINAL ESTIMATE OF VALUE-HYPOTHETICAL

Based on the forgoing analysis, the estimated hypothetical market value of the subject property, as of August 12, 2016, subject to the attached Assumptions and Limiting Conditions, was:

SIXTY-SEVEN MILLION ONE HUNDRED THOUSAND DOLLARS

\$67,100,000

APPRAISAL REPORT ADDENDUM

EXHIBIT A

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Lobby



Lobby



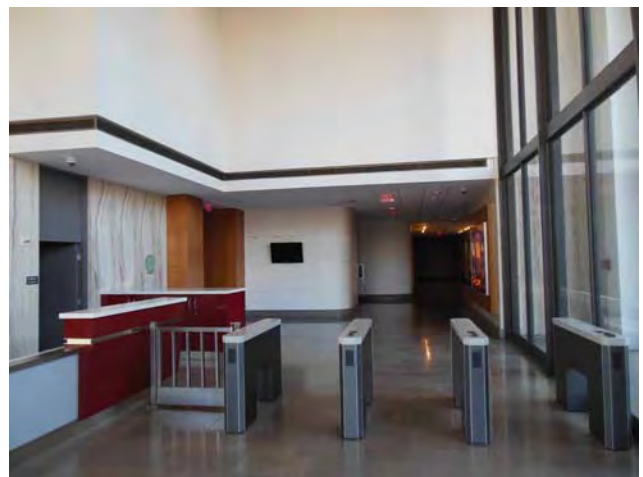
Lobby ceiling



Lobby ceiling



Lobby



Lobby

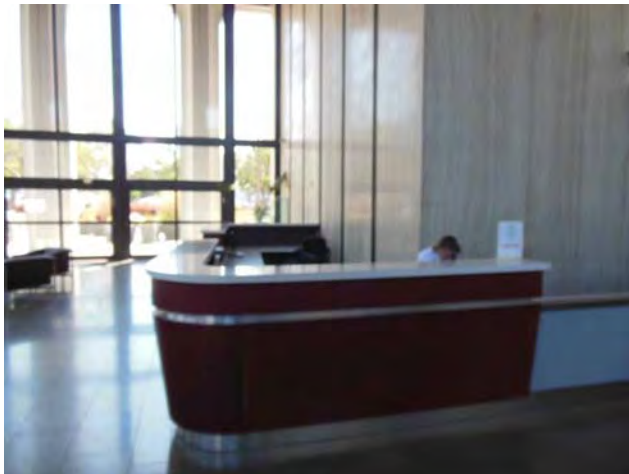
ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Lobby ceiling



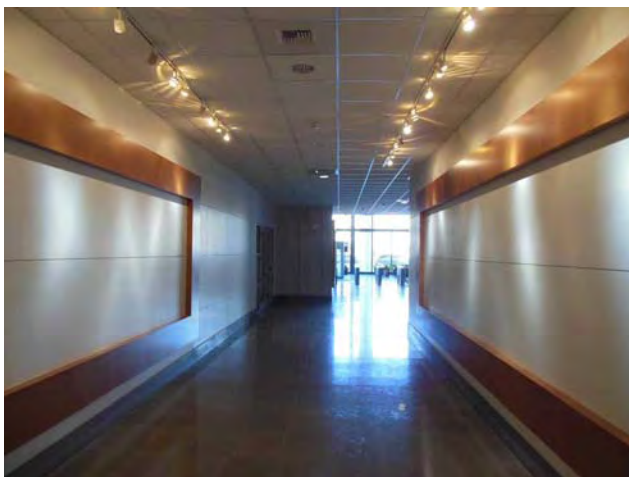
Penthouse equipment room



Lobby reception desk



Penthouse equipment room



First floor corridor



Penthouse equipment room

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



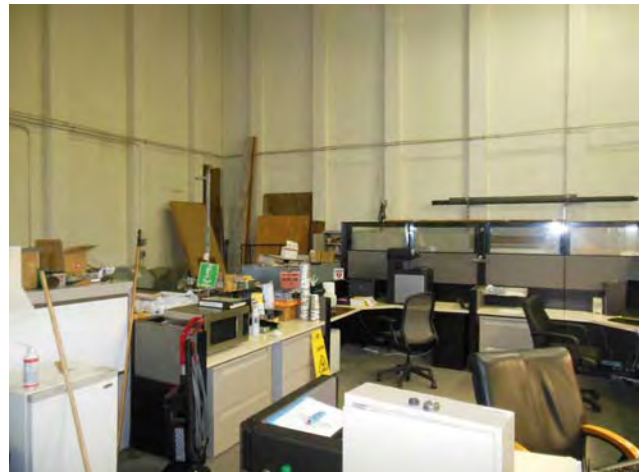
Westerly view



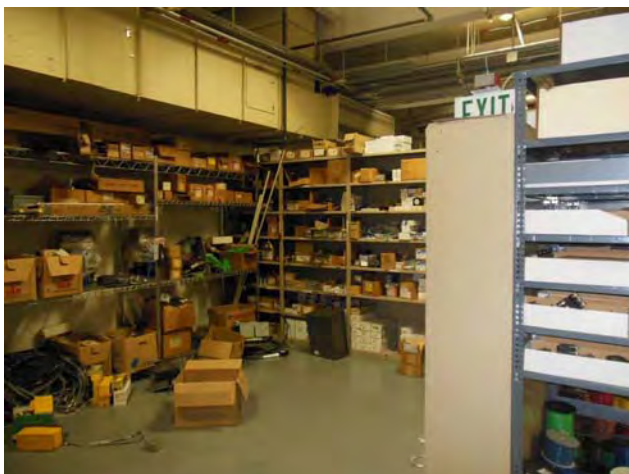
Storage



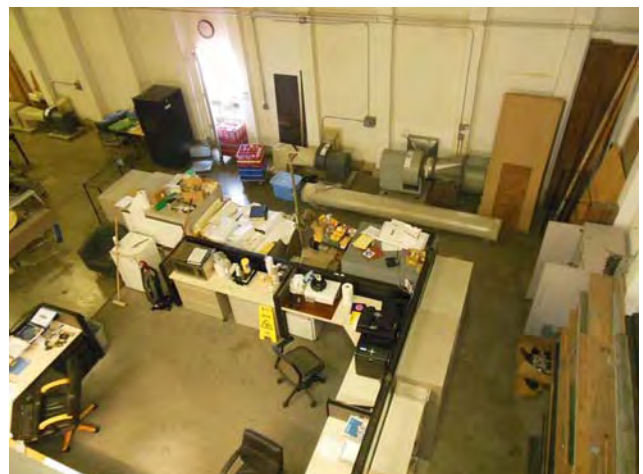
Penthouse equipment room



Storage



Storage



Mezzanine storage floor 20R

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Mezzanine storage floor 20R



Equipment



Mezzanine storage floor 20R



Roof mounted chillers



Equipment



Roof mounted chillers

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Floor 19



Floor 19



Floor 19 westerly view



Floor 19

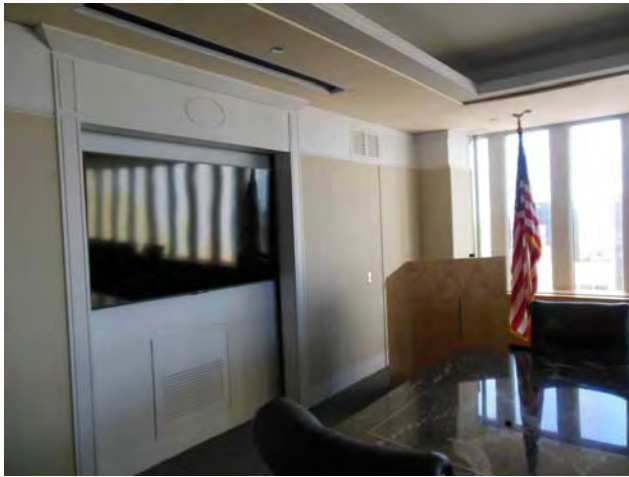


Floor 19



Floor 19

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Floor 19



Floor 19



Floor 19 southerly view



Floor 19



Floor 19



Floor 19

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 19



Floor 19



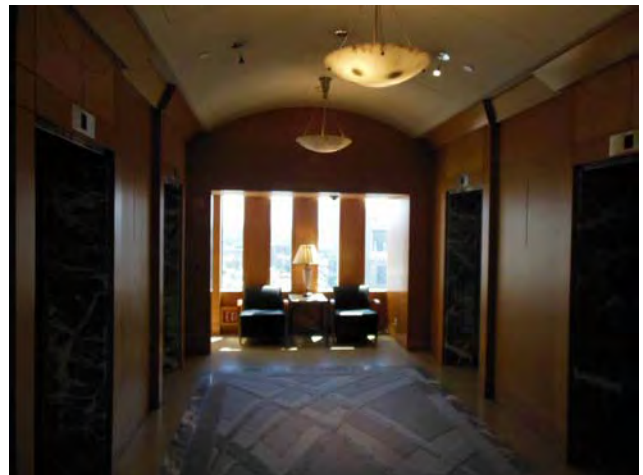
Floor 19



Floor 19 northerly view



Floor 19

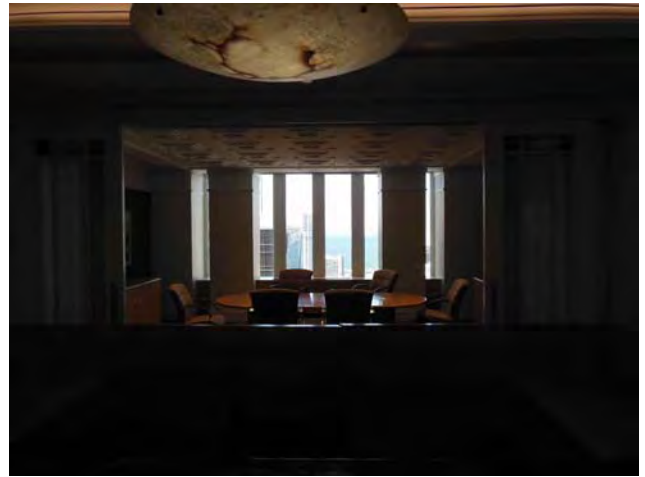


Floor 19

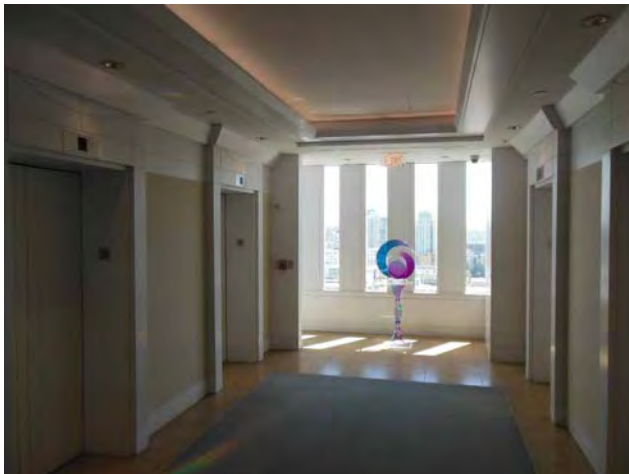
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Floor 19



Floor 18



Floor 18



Floor 18



Floor 18



Floor 18

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 18



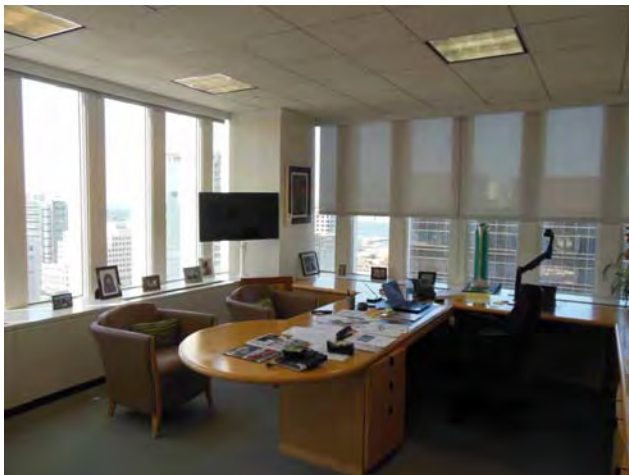
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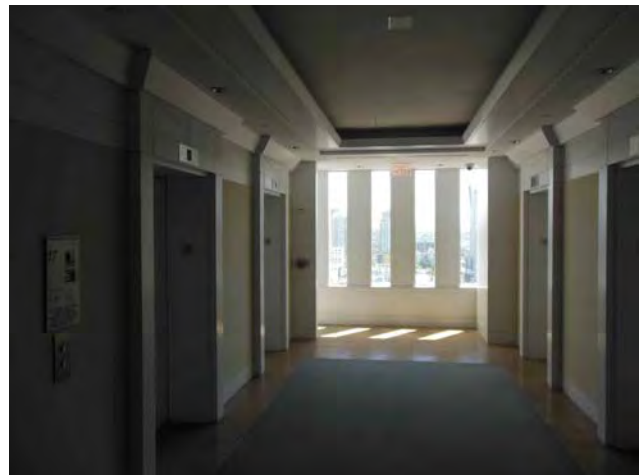
Floor 18



Floor 18



Floor 18



Floor 17

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 17



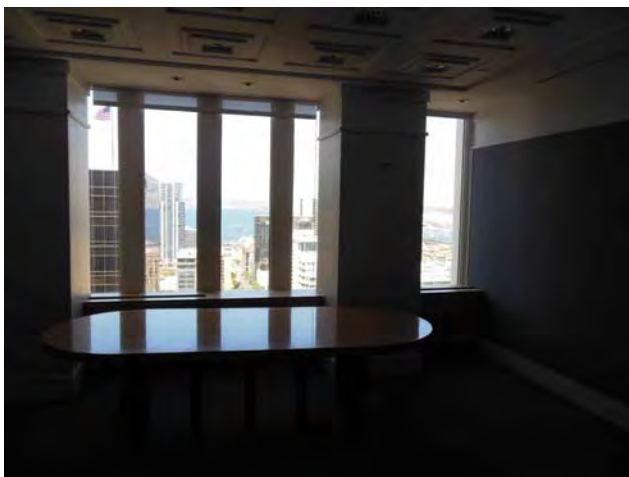
Floor 17



Floor 17



Floor 16



Floor 17



Floor 16

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Floor 16



Floor 15



Floor 16



Floor 15



Floor 15



Floor 14

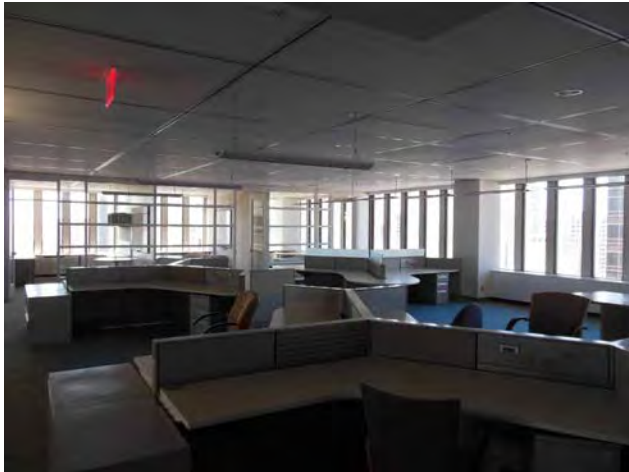
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Floor 14



Floor 13



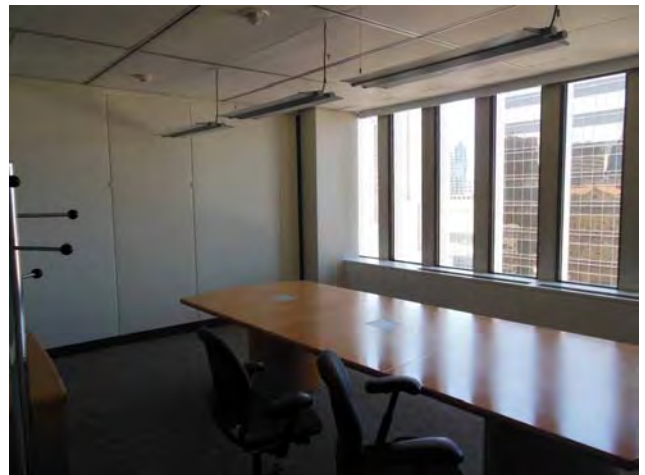
Floor 14



Floor 13



Floor 14



Floor 13

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Floor 13



Floor 12



Floor 12



Floor 12 easterly view



Floor 12



Floor 11

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 11 easterly view



Elevator cab decor



Floor 11



Floor 10



Floor 11



Floor 10

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 10



Floor 9



Floor 9



Floor 9



Floor 9



Floor 9

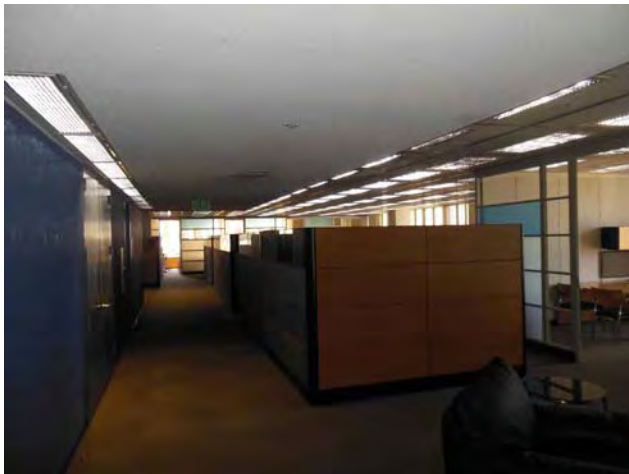
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Floor 8



Floor 8



Floor 8



Floor 7



Floor 8



Floor 7

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 7



Floor 6



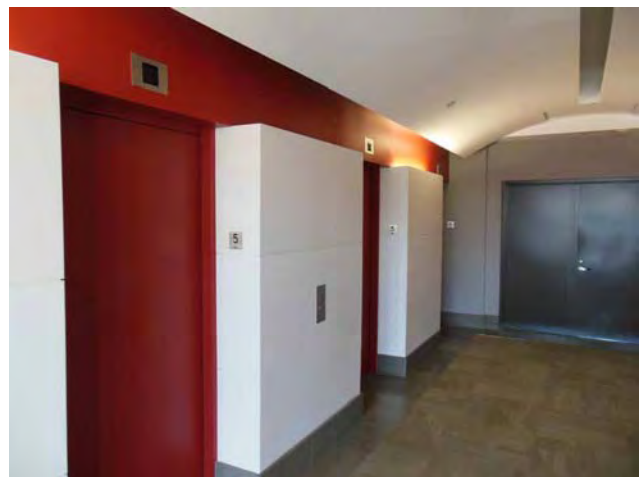
Floor 7



Floor 6



Floor 6



Floor 5

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 5



Floor 4



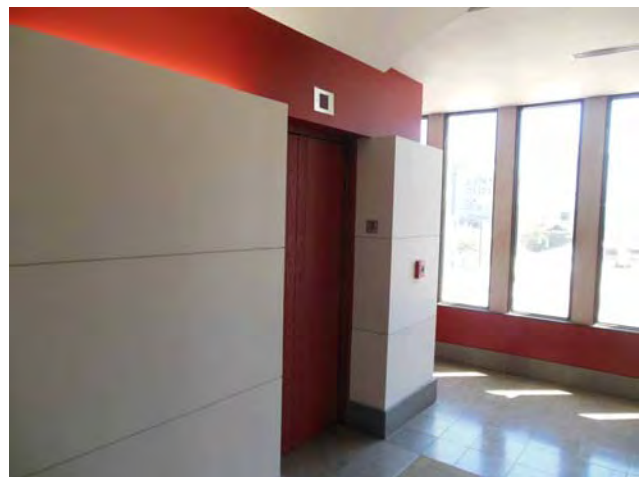
Floor 5



Floor 4



Floor 4



Floor 3

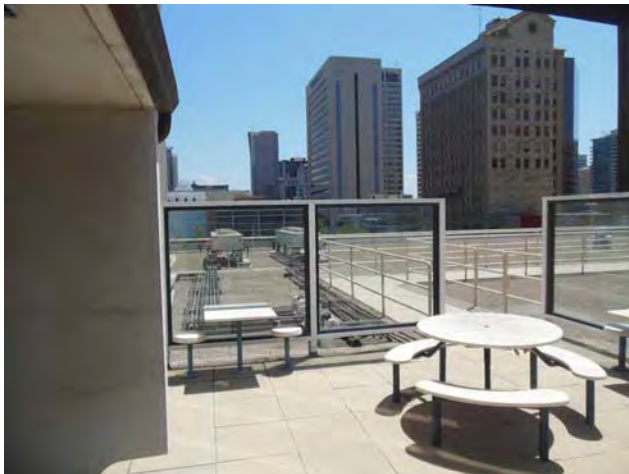
ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Floor 3



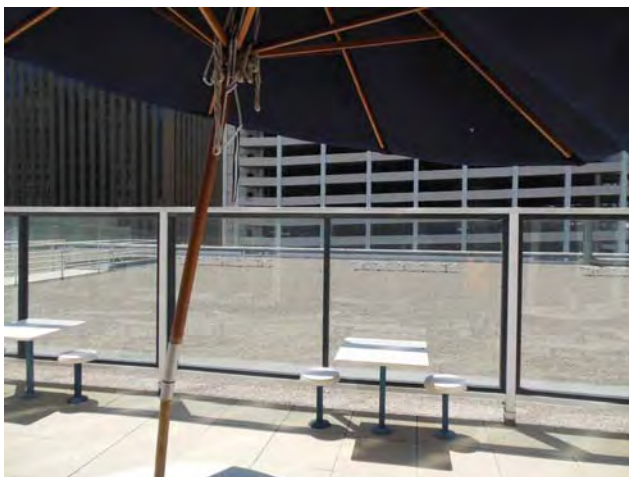
Floor 3 roof plaza



Floor 3 roof plaza



Floor 3 roof equipment



Floor 3 roof plaza

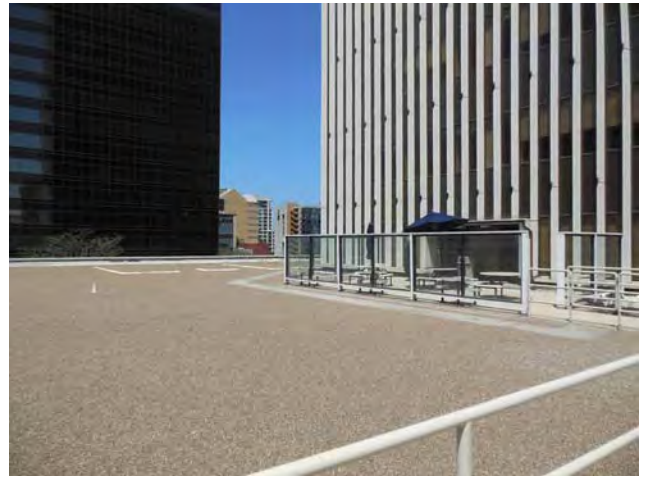


Floor 3 roof equipment

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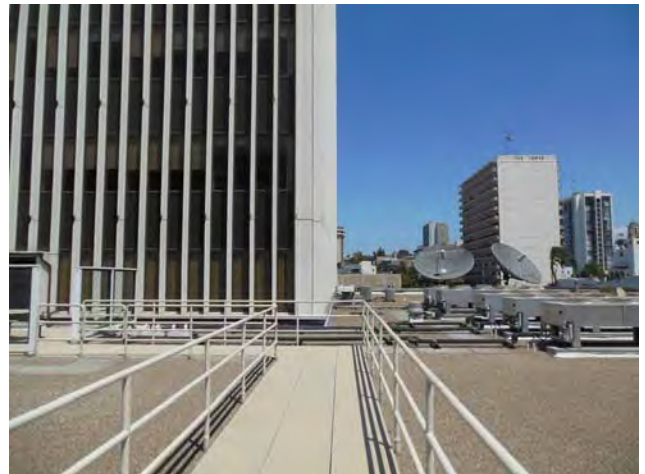
Floor 3 roof stairwell



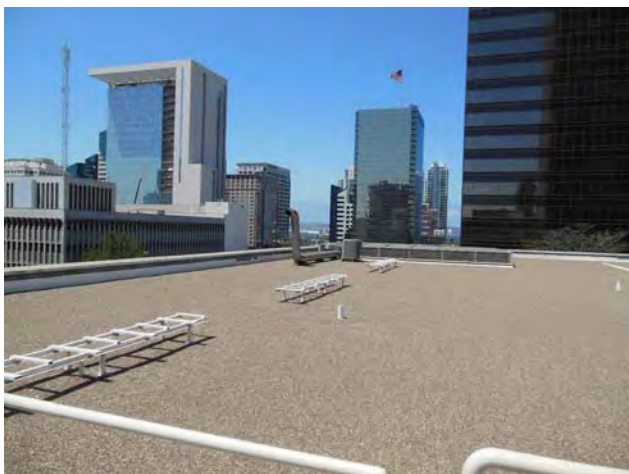
Floor 3 roof



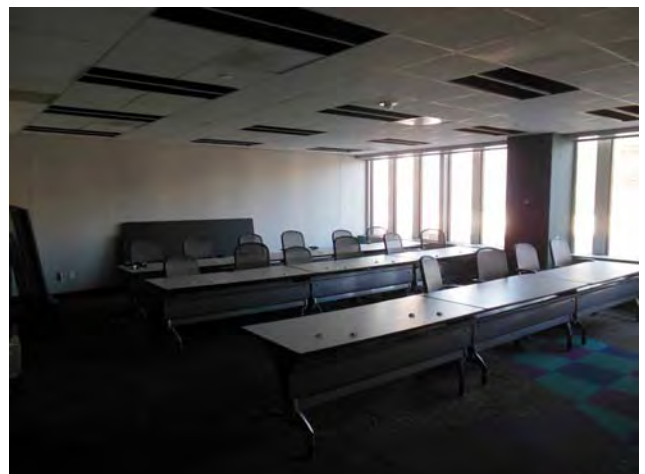
Floor 3 roof



Floor 3 roof

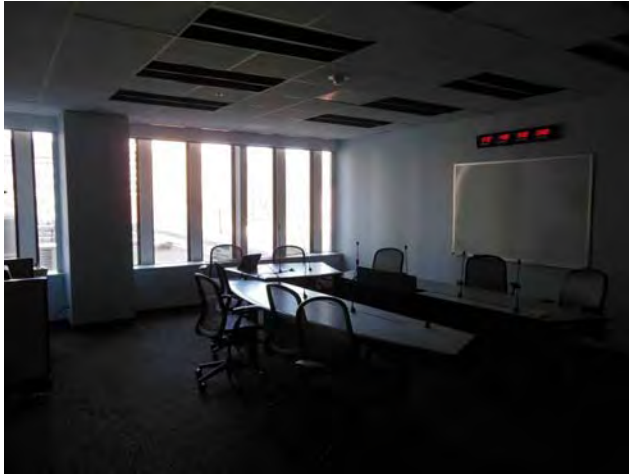


Floor 3 roof



Floor 2

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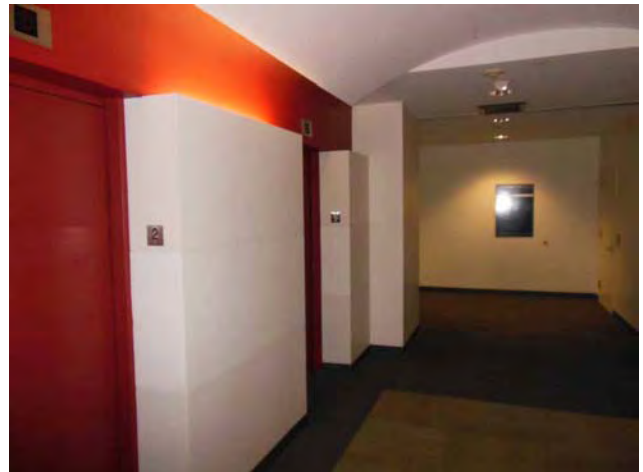
Floor 2



Floor 2



Floor 2



Floor 2



Roof from floor 2



First floor

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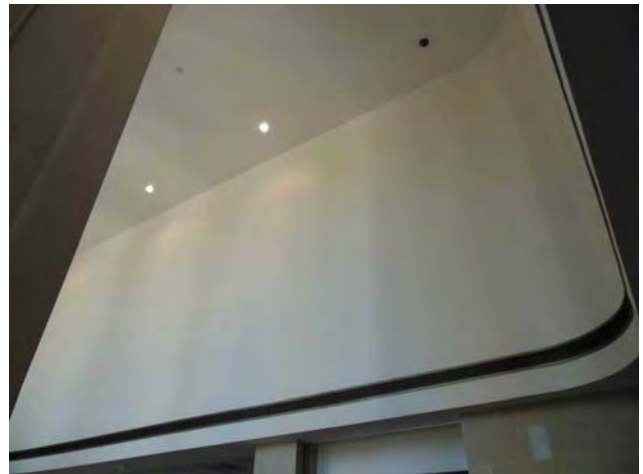
First floor raised computer floor



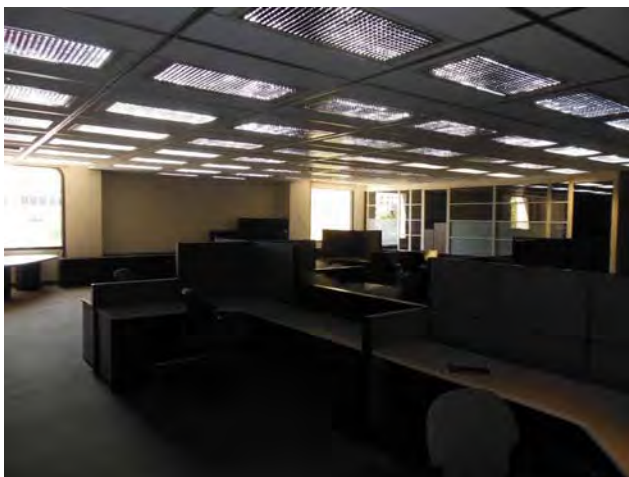
Cafeteria



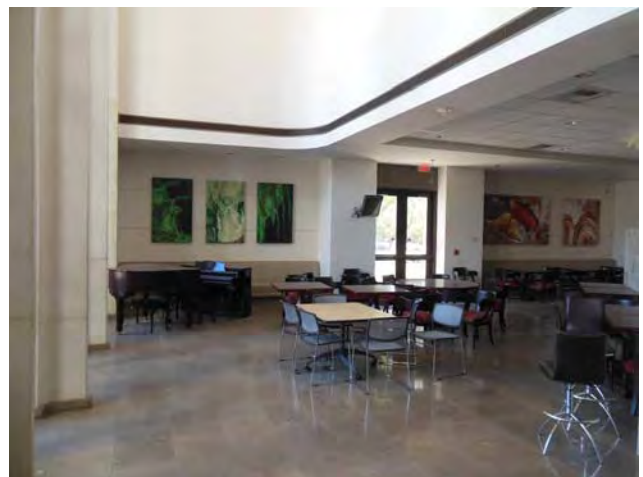
First floor raised computer floor



Cafeteria clear story



First floor



Cafeteria

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Cafeteria



Kitchen



Kitchen



Kitchen

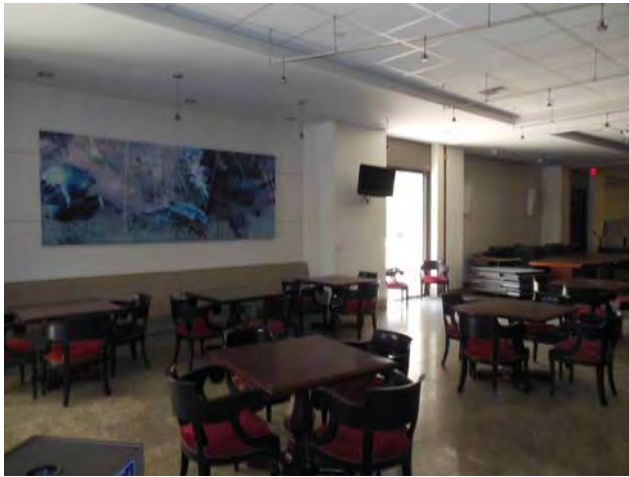


Kitchen



Kitchen

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Cafeteria



Meeting space



Cafeteria



Meeting space



Meeting space



Conference room

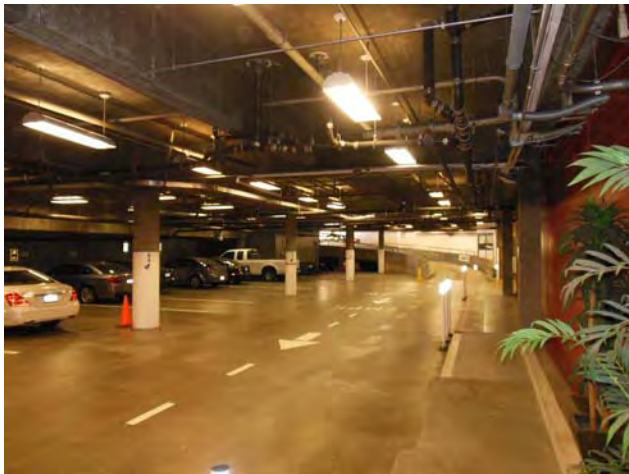
ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Elevator lobby



Parking garage



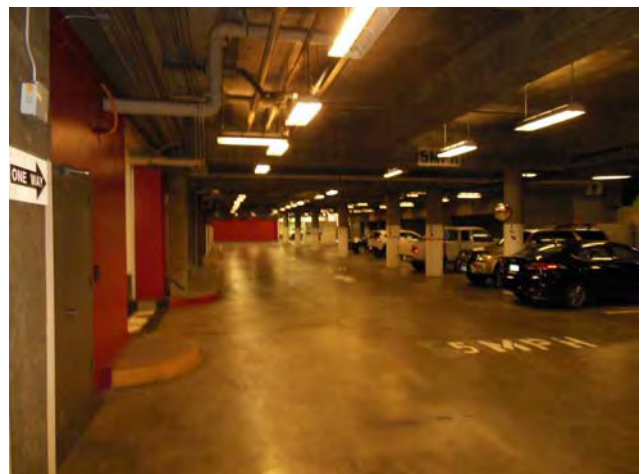
Parking garage



Parking garage



Parking garage



Parking garage

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Parking garage



Parking garage



Parking garage



Parking garage



Parking garage



Parking garage

ADDITIONAL SUBJECT PROPERTY PHOTOGRAPHS



Parking garage



Loading dock



Storage

EXHIBIT B

Downtown - Total Office

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.50	\$2.19
Vacancy Rate	14.0%	15.8%
Vacant SF	1,885,455	2,103,438
Availability Rate	17.8%	19.5%
Available SF	2,395,407	2,632,141
Sublet SF	138,773	177,255
Months on Market	12.7	17.7

Inventory	Survey	5-Year Avg
Existing Buildings	258	265
Existing SF	13,479,056	13,348,994
12 Mo. Const. Starts	0	106,667
Under Construction	0	213,333
12 Mo. Deliveries	320,000	320,000

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	128,355	73,601
12 Mo. Leasing SF	1,079,983	1,140,796

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$235	\$231
Asking Price Per SF	\$375	\$229
Sales Volume (Mil.)	\$339	\$311
Cap Rate	5.0%	6.2%

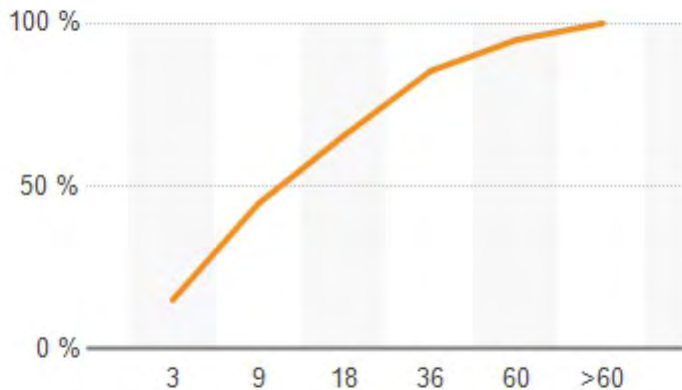
Vacancy Rate



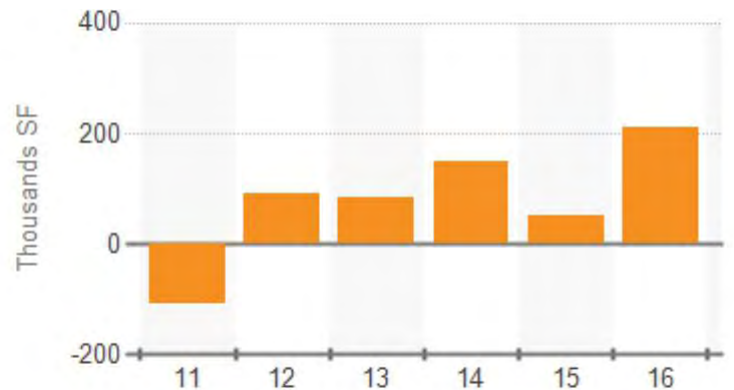
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Class A Office

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.86	\$2.43
Vacancy Rate	7.8%	12.8%
Vacant SF	524,023	825,202
Availability Rate	13.7%	16.4%
Available SF	917,161	1,076,245
Sublet SF	71,806	117,343
Months on Market	10.2	21.3

Inventory	Survey	5-Year Avg
Existing Buildings	17	16
Existing SF	6,683,379	6,427,379
12 Mo. Const. Starts	0	106,667
Under Construction	0	213,333
12 Mo. Deliveries	320,000	320,000

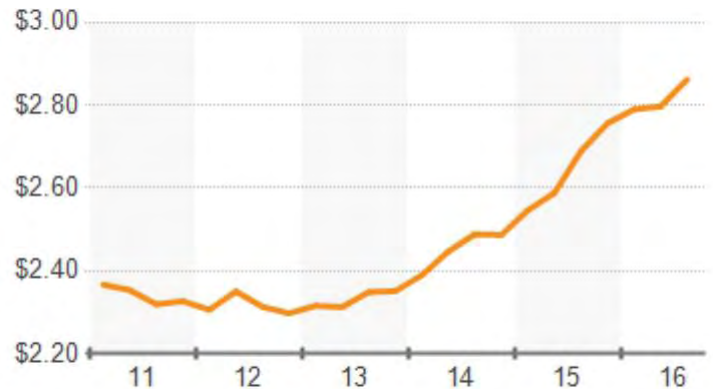
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	380,749	168,874
12 Mo. Leasing SF	503,883	656,422

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$284	\$291
Asking Price Per SF	-	-
Sales Volume (Mil.)	\$177	\$198
Cap Rate	5.5%	5.8%

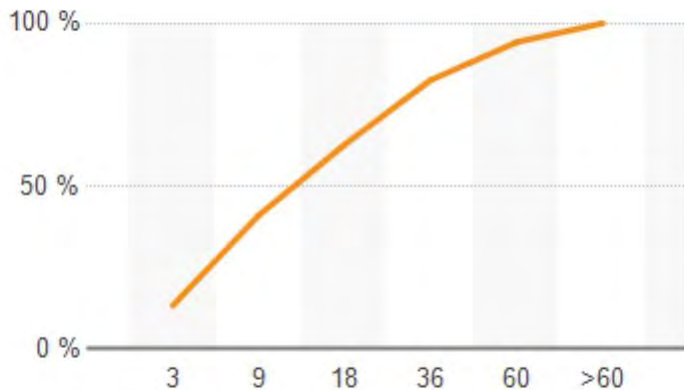
Vacancy Rate



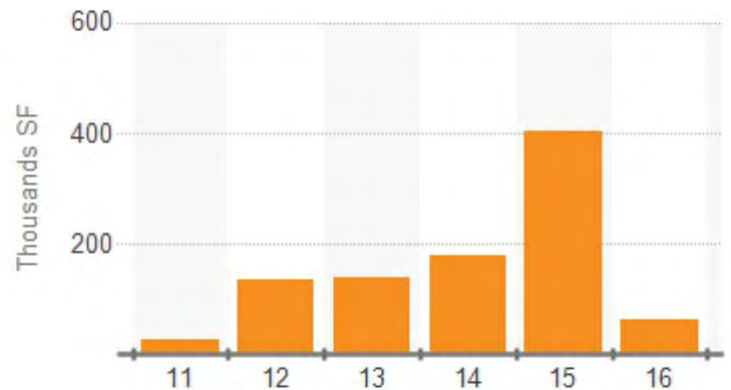
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Class B Office

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.25	\$2.05
Vacancy Rate	26.8%	23.3%
Vacant SF	1,184,700	1,040,243
Availability Rate	27.8%	27.3%
Available SF	1,229,409	1,215,702
Sublet SF	62,080	53,017
Months on Market	12.8	18.4

Inventory	Survey	5-Year Avg
Existing Buildings	76	77
Existing SF	4,426,180	4,458,180
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-259,956	-61,652
12 Mo. Leasing SF	461,567	339,577

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$177	\$165
Asking Price Per SF	\$349	\$331
Sales Volume (Mil.)	\$117	\$93
Cap Rate	4.5%	5.7%

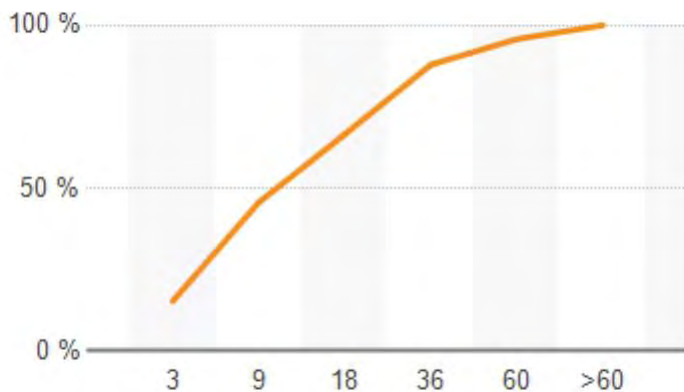
Vacancy Rate



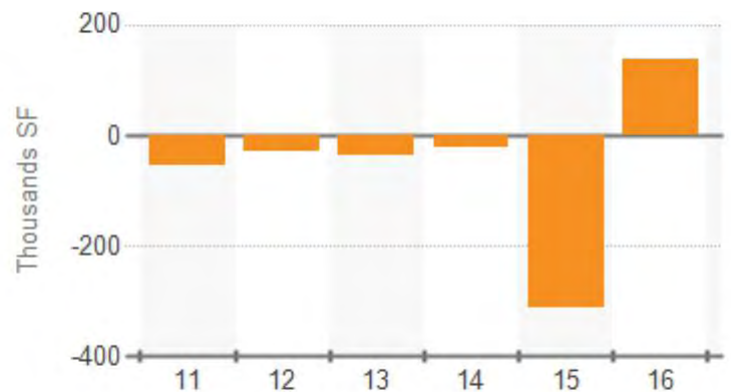
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Class B Office Over 100,000 SF

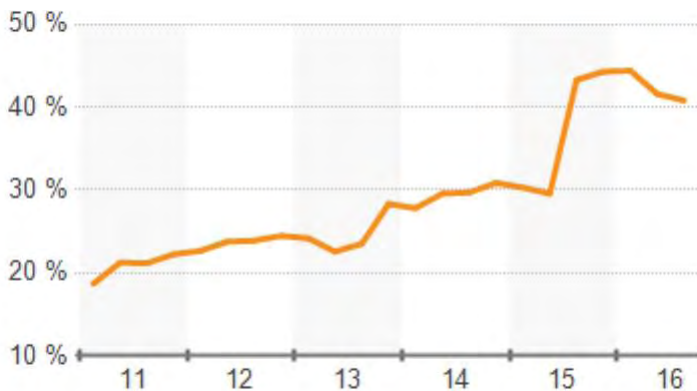
Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.25	\$2.06
Vacancy Rate	40.8%	29.4%
Vacant SF	1,119,863	807,030
Availability Rate	40.6%	33.3%
Available SF	1,115,832	912,824
Sublet SF	56,546	31,343
Months on Market	37.5	26.2

Inventory	Survey	5-Year Avg
Existing Buildings	12	12
Existing SF	2,745,229	2,745,229
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

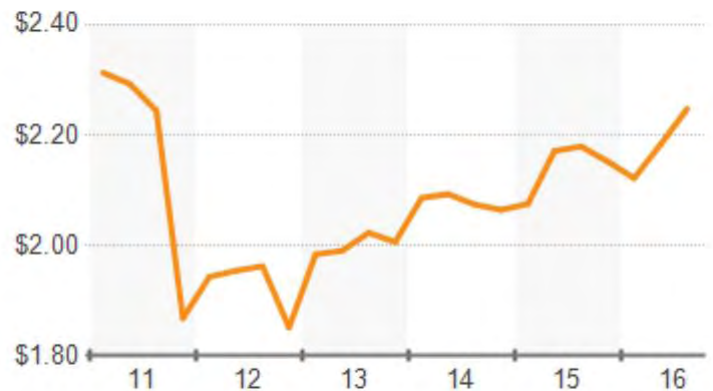
Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-308,816	-111,874
12 Mo. Leasing SF	315,104	210,345

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$193	\$168
Asking Price Per SF	-	-
Sales Volume (Mil.)	\$108	\$78
Cap Rate	4.5%	5.1%

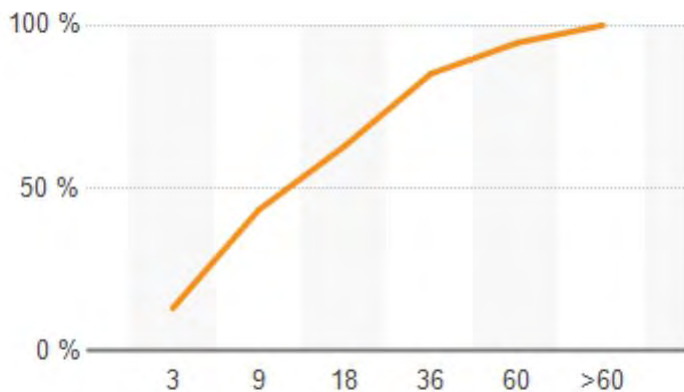
Vacancy Rate



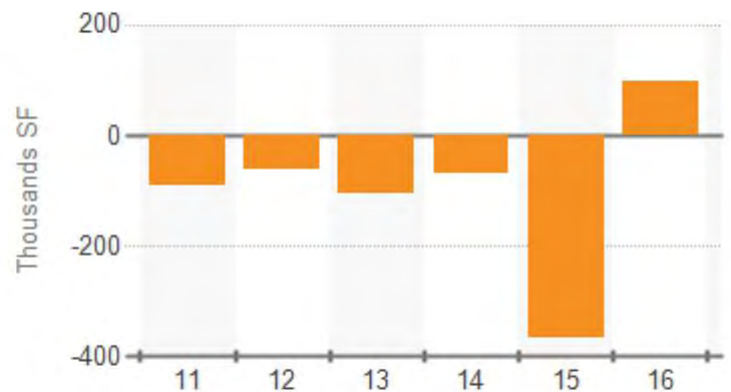
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Class C Office

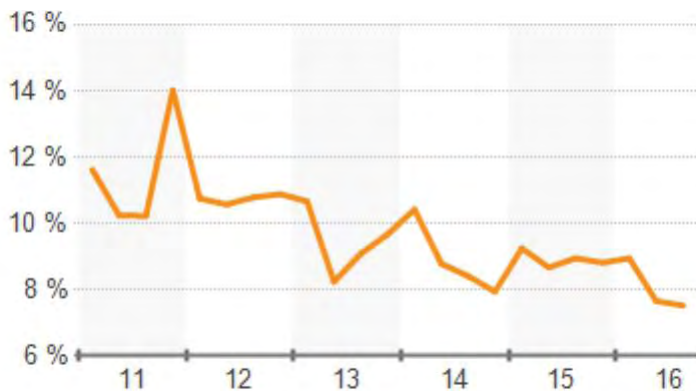
Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.17	\$1.80
Vacancy Rate	7.5%	9.7%
Vacant SF	176,732	237,993
Availability Rate	10.5%	13.8%
Available SF	248,837	340,194
Sublet SF	4,887	6,895
Months on Market	11.0	13.1

Inventory	Survey	5-Year Avg
Existing Buildings	165	172
Existing SF	2,369,497	2,463,435
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	7,562	-33,620
12 Mo. Leasing SF	114,533	144,797

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$760	\$158
Asking Price Per SF	\$416	\$185
Sales Volume (Mil.)	\$45	\$39
Cap Rate	-	6.9%

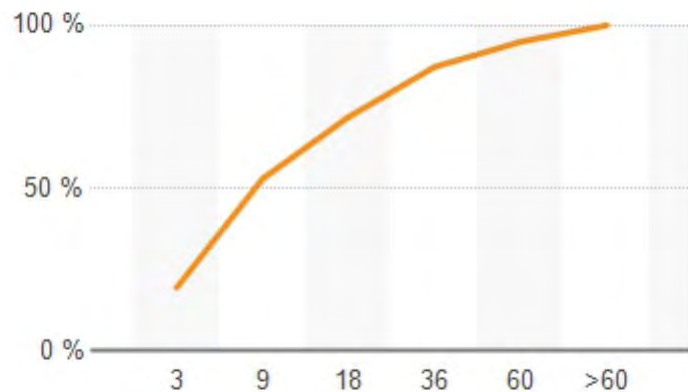
Vacancy Rate



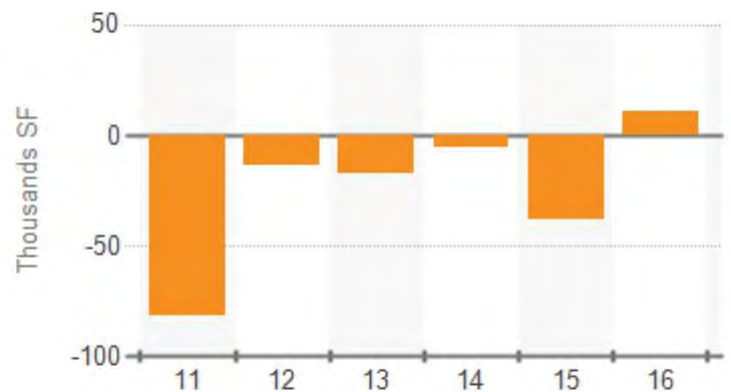
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Class C Office Over 100,000 SF

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$1.81	\$1.71
Vacancy Rate	14.2%	17.3%
Vacant SF	77,192	95,380
Availability Rate	14.3%	17.2%
Available SF	77,256	94,811
Sublet SF	0	283
Months on Market	105.6	83.4

Inventory	Survey	5-Year Avg
Existing Buildings	3	3
Existing SF	541,809	552,280
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	8,786	-15,685
12 Mo. Leasing SF	15,193	67,798

Sales	Past Year	5-Year Avg
Sale Price Per SF	-	\$119
Asking Price Per SF	-	\$96
Sales Volume (Mil.)	-	\$12
Cap Rate	-	7.3%

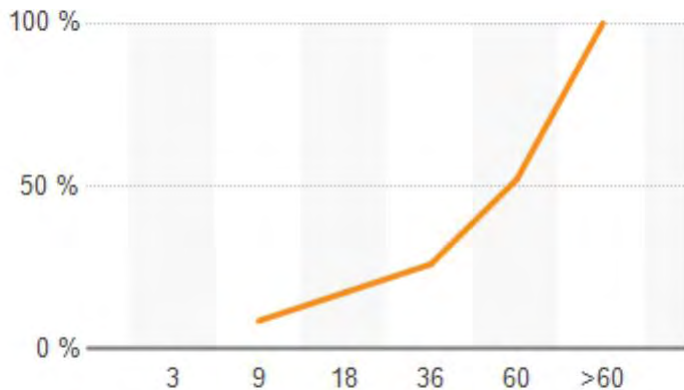
Vacancy Rate



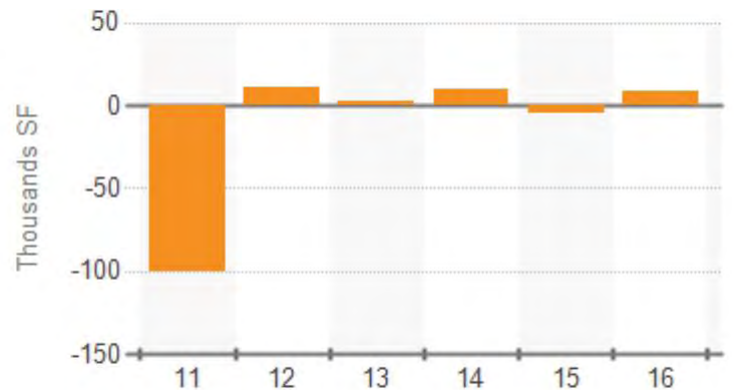
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Office 12 Stories and Over

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.57	\$2.26
Vacancy Rate	16.1%	16.9%
Vacant SF	1,495,730	1,520,479
Availability Rate	20.0%	20.4%
Available SF	1,856,996	1,870,911
Sublet SF	128,352	148,968
Months on Market	17.9	24.0

Inventory	Survey	5-Year Avg
Existing Buildings	27	26
Existing SF	9,268,629	9,023,100
12 Mo. Const. Starts	0	106,667
Under Construction	0	213,333
12 Mo. Deliveries	320,000	320,000

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	75,905	48,824
12 Mo. Leasing SF	823,249	932,612

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$241	\$240
Asking Price Per SF	-	\$96
Sales Volume (Mil.)	\$285	\$264
Cap Rate	5.0%	5.7%

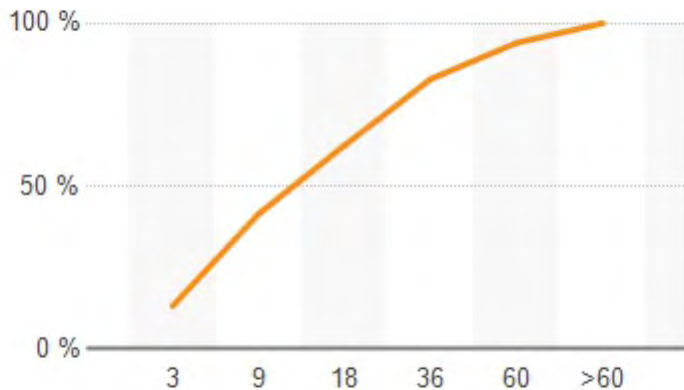
Vacancy Rate



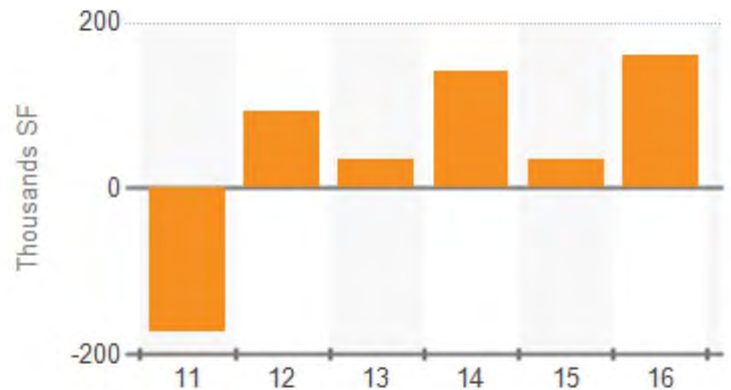
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Office 16 Stories and Over

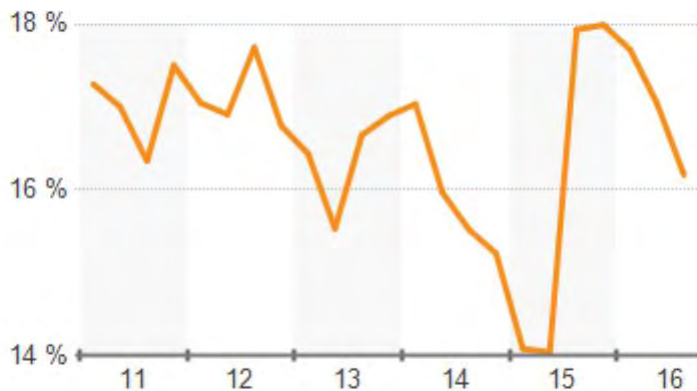
Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.62	\$2.31
Vacancy Rate	16.2%	16.5%
Vacant SF	1,374,608	1,362,847
Availability Rate	20.1%	20.2%
Available SF	1,703,981	1,691,607
Sublet SF	121,740	139,775
Months on Market	17.9	24.5

Inventory	Survey	5-Year Avg
Existing Buildings	23	22
Existing SF	8,494,981	8,238,981
12 Mo. Const. Starts	0	106,667
Under Construction	0	213,333
12 Mo. Deliveries	320,000	320,000

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	93,175	50,296
12 Mo. Leasing SF	737,065	852,854

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$241	\$239
Asking Price Per SF	-	-
Sales Volume (Mil.)	\$285	\$226
Cap Rate	5.0%	5.5%

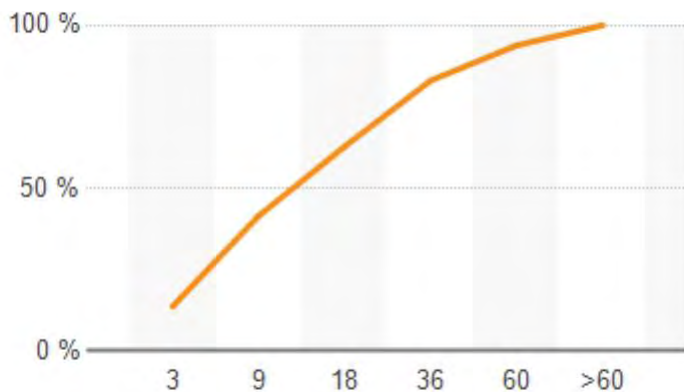
Vacancy Rate



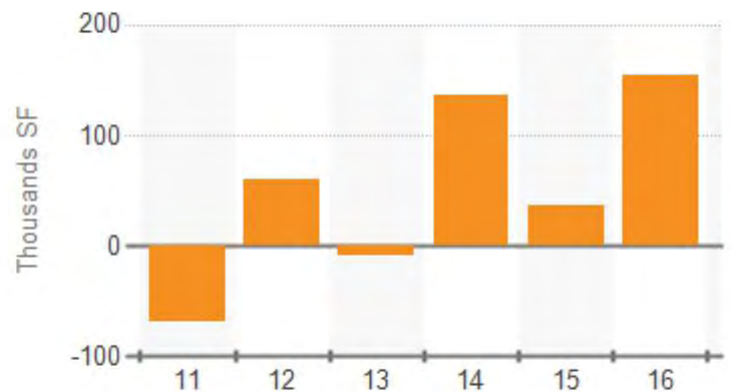
Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption



Downtown - Office 20 Stories and Over

Availability	Survey	5-Year Avg
Gross Rent Per SF	\$2.67	\$2.32
Vacancy Rate	15.9%	16.5%
Vacant SF	1,145,062	1,187,808
Availability Rate	20.2%	20.9%
Available SF	1,458,121	1,505,045
Sublet SF	105,426	129,736
Months on Market	16.3	23.9

Inventory	Survey	5-Year Avg
Existing Buildings	18	18
Existing SF	7,215,797	7,215,797
12 Mo. Const. Starts	0	0
Under Construction	0	0
12 Mo. Deliveries	0	0

Demand	Survey	5-Year Avg
12 Mo. Absorption SF	-175,569	6,222
12 Mo. Leasing SF	699,657	730,918

Sales	Past Year	5-Year Avg
Sale Price Per SF	\$229	\$245
Asking Price Per SF	-	-
Sales Volume (Mil.)	\$230	\$200
Cap Rate	5.0%	5.2%

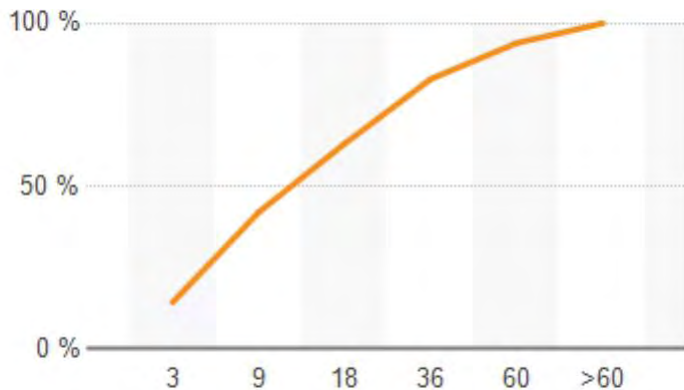
Vacancy Rate



Gross Asking Rent Per SF



Probability of Leasing in Months



Net Absorption

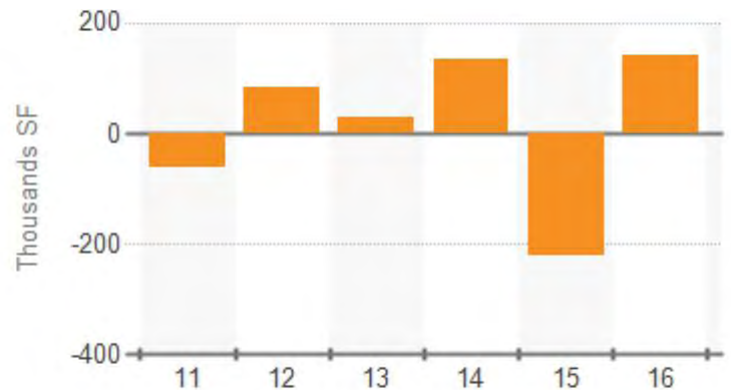


EXHIBIT C

PwC Real Estate Investor Survey

National Highlights

STABILIZING VALUES MAY SIGNAL END OF EXPANSION

One certainty that investors express this quarter is that the commercial real estate (CRE) industry is closer to the end of the current expansion phase of the cycle than at the beginning of it. From there, opinions vary with regard to how much longer the current expansion will continue, which property types and geographies will be better isolated from an impending downturn, and what factors will markedly impact property values and pricing going forward. For the most part, our investors remain upbeat about CRE fundamentals and expect them to stay positive through 2016 into 2017, especially with new supply growth so limited in many sectors and individual cities. In addition, both domestic and international investors remain aggressive in their pursuit of quality CRE assets. Although these trends suggest it may be “too soon to declare the end of this expansion,” some buyers are noticing for-sale inventory lingering on the market a bit longer, which typically suggests that downward price adjustments are to come.

While there have been recent reports from a few sources stating that CRE sales either “are dropping” or “declined in the first quarter,” our investors caution that many of these reports tend to relate to volume and not unit pricing for assets, which they feel are mostly holding firm and even elevated somewhat for the best assets up for sale. As a whole, investor sentiment remains positive from both buyers and sellers amid what many describe as “a stabilizing pricing environment.” At the same time, however, our investors are closely monitoring interest rate trends and the cost and availability of debt, which some feel are the two catalysts that will influence future CRE values the most. “Higher interest rates open up more investment options for investors, who may remove funds from CRE, lessening the industry’s appeal and weakening prices,” comments a participant.

In the office sector, some investors are sensing a “leveling off” of CBD values as fewer tenants vie for available space and the ability to aggressively push up rental rates has diminished. Unlike this time last year, one investor feels that “there is more uncertainty associated with CBD office building acquisitions in the near term,” which is being reflected in their use of lower market rent growth rate assumptions. In the suburban office sector, one investor senses that healthy fundamentals should continue to push up property values over the next 12 months, but at a slower pace. This quarter, our investors forecast property values in the national suburban office market to increase an average of 3.6%. Two years ago, the forecast was 4.4%.

Overall, most individual office markets are expected to stay in the expansion phase of the real estate cycle through year-end 2018, according to our PwC real estate barometer. Nevertheless, investors are watching job growth, supply pipelines, and leasing trends, which some feel could have more of an impact on property values than interest rate changes. “A drop off in employment growth and leasing demand can have a significant and lasting effect,” says a participant. “All investors need to adjust to changes in interest rates, but when your market hurts from a lack of job growth and tenant demand, it can be isolating,” adds another.

Until clear signs emerge that the current expansion has run its course, CRE sales activity may continue to decline or be stagnant compared to prior years as more buyers, sensing the industry is entering a period of downward price adjustments, pause and wait for both fundamentals and pricing parameters to lean in their favor. ♦

Overall Cap Rate Analysis

In the second quarter of 2016, the average overall capitalization (cap) rate decreases in 17 Survey markets, holds steady in ten, and increases in 7. The quarterly shifts remain very diverse like they have been in the past few quarters with a higher number of markets now reporting declines and a

smaller number posting increases in their average cap rates. In addition, the magnitude of the shifts has widened this quarter, ranging from -29 to +6 basis points (see Exhibit 1). These trends are very similar to what was reported a year ago.

This quarter's average overall cap

rate shifts suggest varied viewpoints by investors across the industry. In the office sector, for example, some investors are showing optimism for Seattle, the Pacific Northwest, Charlotte, and Dallas, but appear more cautious with regard to the Washington, DC metro office markets. Cap rate shifts for the

Exhibit 1

OVERALL CAPITALIZATION RATES

Second Quarter 2016

National Markets	Average	Quarterly Change*
Apartment	5.29%	- 6
Warehouse	5.38%	- 14
CBD Office	5.55%	- 3
Regional Mall	6.00%	0
Strip Shopping Center	6.26%	- 15
Power Center	6.35%	2
Suburban Office	6.43%	5
Net Lease	6.75%	0
MOB**	6.81%	- 2
Flex/R&D	7.15%	0
Regional Warehouse		
Pacific Region	5.20%	- 8
ENC*** Region	5.48%	0
Apartment Markets		
Pacific Region	4.52%	2
Southeast Region	5.15%	- 15
Mid-Atlantic Region	5.23%	- 23
Office Markets		
Manhattan	5.15%	0
Washington, DC	5.40%	0
San Francisco	5.71%	1
Los Angeles	5.75%	6
Seattle	5.81%	- 29
Pacific Northwest	5.99%	- 12
Boston	6.19%	4
Denver	6.45%	- 4
San Diego	6.81%	0
Phoenix	6.84%	0
Dallas	6.84%	- 16
Northern Virginia	6.88%	0
Charlotte	6.99%	- 15
Houston	7.05%	- 8
Atlanta	7.10%	- 23
Southeast Florida	7.13%	- 5
Suburban Maryland	7.28%	0
Chicago	7.36%	2
Philadelphia	7.50%	- 3

* Basis points; ** Medical office buildings;

*** East North Central

Source: PwC Real Estate Investor Survey

Exhibit 2

OVERALL CAPITALIZATION RATE FORECASTS

Second Quarter 2016

MARKET	OVERALL CAP RATE	SIX-MONTH EXPECTATIONS		
	2Q 2016	INCREASE	DECREASE	HOLD STEADY
National				
Regional Mall	6.00%	0%	0%	100%
Power Center	6.35%	0%	17%	83%
Strip Shopping Center	6.26%	33%	0%	67%
CBD Office	5.55%	14%	14%	71%
Suburban Office	6.43%	0%	0%	100%
Net Lease	6.75%	20%	20%	60%
Medical Office Buildings	6.81%	13%	13%	75%
Industrial				
National Flex/R&D	7.15%	0%	20%	80%
National Warehouse	5.38%	0%	18%	82%
ENC Region Warehouse	5.48%	0%	20%	80%
Pacific Region Warehouse	5.20%	0%	0%	100%
Apartment				
National	5.29%	20%	0%	80%
Mid-Atlantic Region	5.23%	0%	0%	100%
Pacific Region	4.52%	0%	0%	100%
Southeast Region	5.15%	20%	0%	80%
Office				
Atlanta	7.10%	0%	0%	100%
Boston	6.19%	17%	17%	67%
Charlotte	6.99%	20%	20%	60%
Chicago	7.36%	14%	0%	86%
Dallas	6.84%	13%	25%	63%
Denver	6.45%	17%	0%	83%
Houston	7.05%	57%	0%	43%
Los Angeles	5.75%	0%	0%	100%
Manhattan	5.15%	0%	0%	100%
Northern Virginia	6.88%	0%	20%	80%
Pacific Northwest	5.99%	18%	9%	73%
Philadelphia	7.50%	20%	20%	60%
Phoenix	6.84%	0%	0%	100%
San Diego	6.81%	0%	0%	100%
San Francisco	5.71%	40%	0%	60%
Seattle	5.81%	17%	17%	67%
Southeast Florida	7.13%	0%	17%	83%
Suburban Maryland	7.28%	0%	0%	100%
Washington, DC	5.40%	0%	0%	100%

Source: PwC Real Estate Investor Survey

Survey's warehouse markets reveal a positive outlook despite growing levels of new supply. The same sentiment is shown for the Survey's apartment markets, where average cap rates decline in three of the four Survey markets.

LOOKING FORWARD

Even though surveyed investors hold a positive outlook for the commercial real estate industry for the near term, they are mindful of the potential for interest rate increases, market corrections, and the need for caution.

While overall cap rates are expect-

ed to hold steady in most Survey markets over the next six months, a greater portion of investors foresee cap rates rising over that time period (10.0% of them) compared to last quarter (3.0% of them).

KEY INDICATOR BREAKOUT

Overall cap rates, discount rates, and residual cap rates for the CBD and suburban submarkets of each individual office market are presented in Exhibit 3. As shown, average overall cap rates remain lower for most CBD submarkets than for their suburban

counterparts since higher barriers to entry and a lack of land for new development tend to keep supply and demand a bit more balanced in a market's CBD. As a result, CBD assets typically achieve higher rental rates.

In addition, downtown cores tend to provide better forms of mass transportation and embody 18- or 24-hour, live-work lifestyles that appeals to many individuals and firms. As a result, CBD assets are generally perceived as providing less investment risk to the owner – less risk, lower overall cap rate. ♦

Exhibit 3 BREAKOUT OF KEY INDICATORS Second Quarter 2016						
CBD OF:	DISCOUNT RATE RANGE	AVERAGE	OVERALL CAPITALIZATION RATE RANGE	AVERAGE	RESIDUAL CAPITALIZATION RATE RANGE	AVERAGE
Atlanta	6.00% – 9.00%	7.80%	5.25% – 8.75%	6.78%	6.00% – 8.50%	7.18%
Boston	6.00% – 8.00%	6.85%	4.00% – 8.00%	5.44%	5.00% – 8.00%	6.21%
Charlotte	6.50% – 9.75%	8.05%	5.50% – 7.50%	6.65%	5.50% – 7.75%	6.70%
Chicago	6.00% – 10.00%	7.59%	5.00% – 8.00%	6.04%	5.50% – 9.00%	6.55%
Dallas	6.00% – 11.00%	7.89%	5.00% – 9.00%	6.63%	6.00% – 9.00%	7.17%
Denver	6.50% – 10.00%	7.73%	5.00% – 7.00%	5.93%	5.75% – 8.50%	6.85%
Houston	6.50% – 10.00%	8.20%	5.50% – 8.00%	6.63%	6.00% – 9.50%	7.16%
Los Angeles	5.50% – 9.00%	6.95%	4.50% – 7.00%	5.55%	5.00% – 8.00%	6.58%
Manhattan	5.50% – 9.00%	6.85%	3.75% – 8.00%	5.15%	4.75% – 8.00%	5.94%
Pacific Northwest	5.50% – 9.00%	7.00%	4.50% – 8.00%	5.58%	5.00% – 9.00%	6.28%
Philadelphia	7.00% – 9.00%	7.88%	6.00% – 8.00%	6.90%	6.00% – 8.00%	7.23%
Phoenix	7.00% – 10.00%	8.17%	5.00% – 8.00%	6.58%	5.50% – 7.50%	6.67%
San Diego	6.50% – 10.50%	7.94%	5.50% – 8.50%	6.81%	6.25% – 8.75%	7.25%
San Francisco	5.75% – 8.00%	6.48%	3.50% – 7.00%	4.93%	5.00% – 8.00%	5.78%
Seattle	5.50% – 9.00%	6.96%	4.50% – 8.00%	5.50%	5.00% – 9.00%	6.21%
Southeast Florida	6.00% – 10.00%	7.80%	4.50% – 9.50%	6.55%	4.50% – 10.00%	6.65%
Washington, DC	5.50% – 8.00%	6.81%	4.25% – 6.50%	5.40%	5.00% – 6.50%	5.81%
SUBURBS OF:	DISCOUNT RATE RANGE	AVERAGE	OVERALL CAPITALIZATION RATE RANGE	AVERAGE	RESIDUAL CAPITALIZATION RATE RANGE	AVERAGE
Atlanta	7.00% – 9.50%	8.15%	6.00% – 9.00%	7.43%	6.50% – 9.00%	7.65%
Boston	7.00% – 10.00%	8.13%	5.00% – 9.00%	6.94%	6.50% – 9.00%	7.35%
Charlotte	7.00% – 11.00%	8.90%	6.00% – 8.75%	7.33%	6.00% – 8.50%	7.53%
Chicago	7.50% – 12.00%	9.63%	7.00% – 10.00%	8.68%	7.50% – 11.00%	8.89%
Dallas	7.00% – 11.00%	8.39%	5.75% – 9.00%	7.05%	6.00% – 9.00%	7.57%
Denver	7.00% – 11.00%	8.23%	6.00% – 9.00%	6.98%	6.50% – 9.50%	7.58%
Houston	7.50% – 12.00%	9.17%	6.25% – 10.00%	7.48%	6.25% – 10.00%	7.79%
Los Angeles	5.00% – 9.00%	6.90%	4.50% – 7.50%	5.95%	5.50% – 8.00%	6.83%
Northern Virginia	6.00% – 9.50%	7.75%	5.00% – 8.50%	6.88%	5.75% – 8.50%	7.25%
Pacific Northwest	6.00% – 10.50%	7.92%	5.00% – 7.75%	6.41%	5.50% – 8.00%	6.81%
Philadelphia	7.50% – 10.00%	9.15%	7.00% – 9.00%	8.10%	7.00% – 9.00%	8.48%
Phoenix	7.00% – 11.00%	8.70%	6.00% – 8.50%	7.10%	6.50% – 9.00%	7.63%
San Diego	6.25% – 10.50%	7.73%	5.25% – 8.50%	6.80%	5.75% – 8.75%	7.15%
San Francisco	6.00% – 10.00%	7.33%	4.50% – 9.00%	6.50%	5.50% – 9.00%	6.73%
Seattle	6.00% – 10.50%	7.78%	5.00% – 7.00%	6.13%	5.50% – 8.00%	6.66%
Southeast Florida	7.00% – 10.75%	8.69%	5.00% – 10.00%	7.71%	6.00% – 10.00%	7.79%
Suburban Maryland	7.25% – 10.00%	8.78%	5.50% – 9.00%	7.28%	6.50% – 9.75%	7.88%
Source: PwC Real Estate Investor Survey						

National CBD Office Market

Surveyed investors remain pleased with the fundamental side of the national CBD office market highlighted by a still-declining overall vacancy rate, limited additions of new supply, and continuous growth in office-space-using employment sectors. In the first quarter of 2016, the overall vacancy rate was 11.8% – down from 11.9% a year ago and down from 13.5% three years earlier. “Absorption trends are still favorable to landlords, but the velocity of leasing has slowed a bit,” says a participant.

With fewer tenants vying for space and the cost of capital anticipated to rise, some investors are sensing a plateau in valuations and

are factoring in less aggressive market rent growth rate assumptions in their cash flow projections. “There is more uncertainty associated with CBD office building acquisitions in the near term,” comments an investor. One exception may be trophy CBD office buildings, which participants note are still being aggressively pursued by both domestic and international investors.

As a whole, the average overall cap rate for this market slips three basis points this quarter to 5.55%, becoming the lowest average cap rate ever posted for this market in the Survey since its debut 22 years ago in 1994 when the average was 9.73%. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average 69.0% ▲

Range 50.0% to 85.0%

Months of Free Rent⁽¹⁾:

Average 6 =

Range 0 to 15

% of participants using 86.0% ▼

Market Conditions Favor:

Buyers 0.0% =

Sellers 71.0% ▲

Neither 29.0% ▼

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

Table 4
NATIONAL CBD OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	5.50% – 10.00%	5.50% – 10.00%	5.50% – 11.00%	5.25% – 11.00%	5.50% – 11.00%
Average	7.16%	6.88%	7.34%	8.16%	8.49%
Change (Basis Points)		+ 28	– 18	– 100	– 133
OVERALL CAP RATE (OAR)^a					
Range	3.50% – 7.50%	3.50% – 7.50%	3.50% – 9.00%	4.25% – 10.00%	5.00% – 10.00%
Average	5.55%	5.58%	6.07%	6.63%	6.95%
Change (Basis Points)		– 3	– 52	– 108	– 140
RESIDUAL CAP RATE					
Range	4.75% – 7.50%	4.75% – 7.50%	4.50% – 9.00%	5.25% – 11.00%	5.50% – 10.50%
Average	6.02%	6.02%	6.48%	7.23%	7.35%
Change (Basis Points)		0	– 46	– 121	– 133
MARKET RENT CHANGE^b					
Range	0.00% – 7.00%	0.00% – 7.00%	0.00% – 7.00%	0.00% – 7.00%	(5.00%) – 5.00%
Average	2.86%	2.92%	2.43%	2.36%	1.39%
Change (Basis Points)		– 6	+ 43	+ 50	+ 147
EXPENSE CHANGE^b					
Range	2.00% – 4.00%	2.00% – 4.00%	1.00% – 3.00%	1.00% – 3.00%	2.00% – 4.00%
Average	2.79%	2.75%	2.61%	2.64%	2.78%
Change (Basis Points)		+ 4	+ 18	+ 15	+ 1
MARKETING TIME^c					
Range	2 – 15	2 – 15	2 – 15	2 – 18	2 – 12
Average	6.6	6.7	6.4	7.9	7.8
Change (▼, ▲, =)		▼	▲	▼	▼
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

San Diego Office Market

Our PwC real estate barometer places the San Diego office market in the expansion phase of the real estate cycle through 2016 and 2017. The attributes of this phase include strong demand, robust rental rate growth, decreasing overall cap rates, and lower vacancy rates all of which are seen in San Diego. As of the first quarter of 2016, this market's overall vacancy rate stood at 15.6% – down from 15.9% a year earlier, according to Cushman & Wakefield. The average vacancy in the suburbs was 15.2% while it was 18.4% in the CBD.

Amid these positive trends, zealous rent growth over the last several years has some investors worried. “The issue

will be to maintain occupancy as tenants receive sticker shock on market rents at lease expiration,” comments a participant. Between the first quarter of 2014 and the first quarter of 2016, the overall weighted average rental rate increased 9.5% in the CBD while it surged 25.8% in the suburbs.

This quarter, this market's average initial-year market rent change rate assumption holds steady, suggesting that rental rates may have peaked here. Likewise, its average overall cap rate is unchanged. Regardless, investors anticipate property value appreciation of up to 10.0% for this market in the coming year – the average expected increase is 3.8%. ♦

KEY 2Q16 SURVEY STATS*

Tenant Retention Rate:

Average	68.0%	=
Range	60.0% to 80.0%	

Months of Free Rent⁽¹⁾:

Average	4	=
Range	1 to 12	
% of participants using	100.0%	=

Average Overall Cap Rates:

Market (as a whole)	6.81%	=
CBD	6.81%	=
Suburbs	6.80%	=

* ▼, ▲, = change from prior quarter
(1) on a ten-year lease

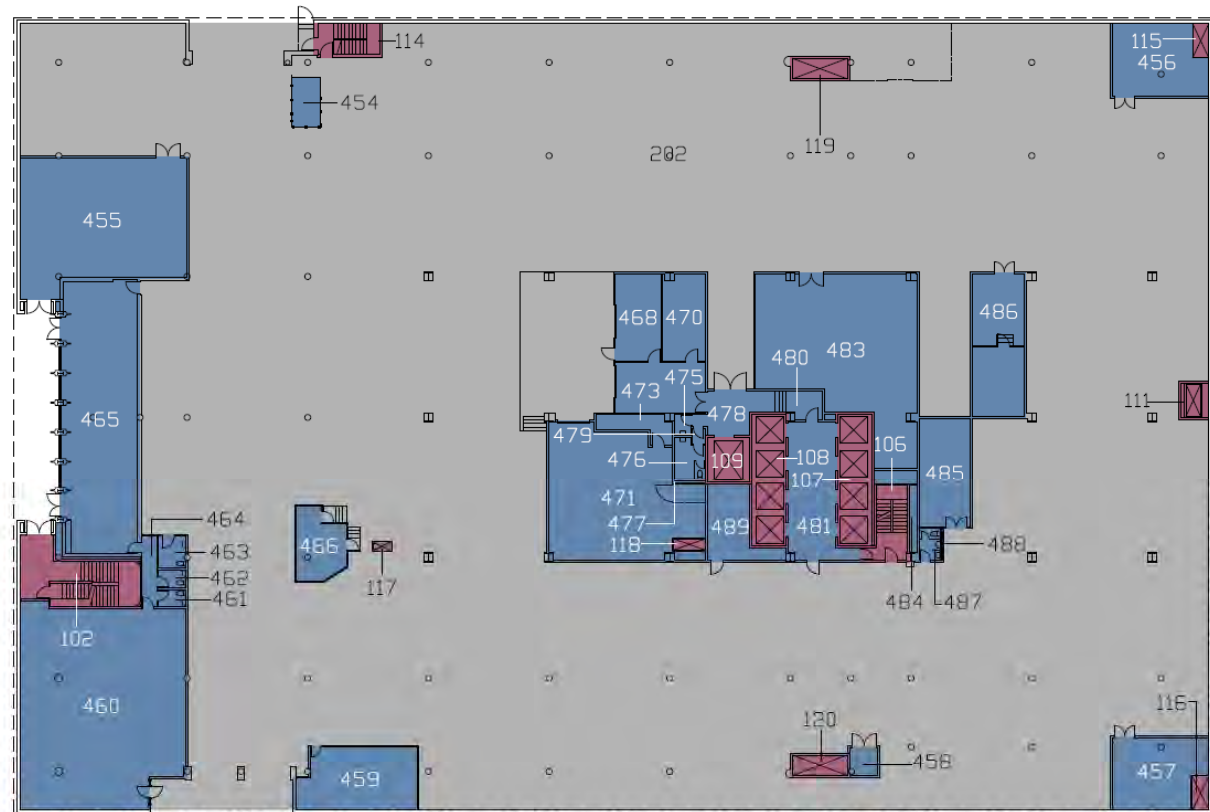
Table 19
SAN DIEGO OFFICE MARKET
Second Quarter 2016

	CURRENT	LAST QUARTER	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)^a					
Range	6.25% – 10.50%	6.25% – 10.50%	6.25% – 10.50%	6.75% – 12.50%	7.50% – 12.50%
Average	7.83%	7.83%	7.89%	9.14%	9.63%
Change (Basis Points)		0	– 6	– 131	– 180
OVERALL CAP RATE (OAR)^a					
Range	5.25% – 8.50%	5.25% – 8.50%	4.75% – 8.50%	6.00% – 9.50%	6.50% – 10.00%
Average	6.81%	6.81%	6.89%	7.73%	8.04%
Change (Basis Points)		0	– 8	– 92	– 123
RESIDUAL CAP RATE					
Range	5.75% – 8.75%	5.75% – 8.75%	5.75% – 8.00%	6.75% – 9.00%	7.00% – 10.00%
Average	7.20%	7.20%	6.98%	7.78%	8.29%
Change (Basis Points)		0	+ 22	– 58	– 109
MARKET RENT CHANGE^b					
Range	2.00% – 6.00%	2.00% – 6.00%	0.00% – 6.00%	(10.00%) – 5.00%	(10.00%) – 6.00%
Average	3.80%	3.80%	3.60%	0.60%	0.20%
Change (Basis Points)		0	+ 20	+ 320	+ 360
EXPENSE CHANGE^b					
Range	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%	2.00% – 3.00%
Average	2.80%	2.80%	2.90%	2.90%	2.90%
Change (Basis Points)		0	– 10	– 10	– 10
MARKETING TIME^c					
Range	1 – 6	1 – 6	1 – 6	1 – 9	1 – 9
Average	4.3	4.3	4.3	4.5	5.4
Change (▼, ▲, =)		=	=	▼	▼
a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months					

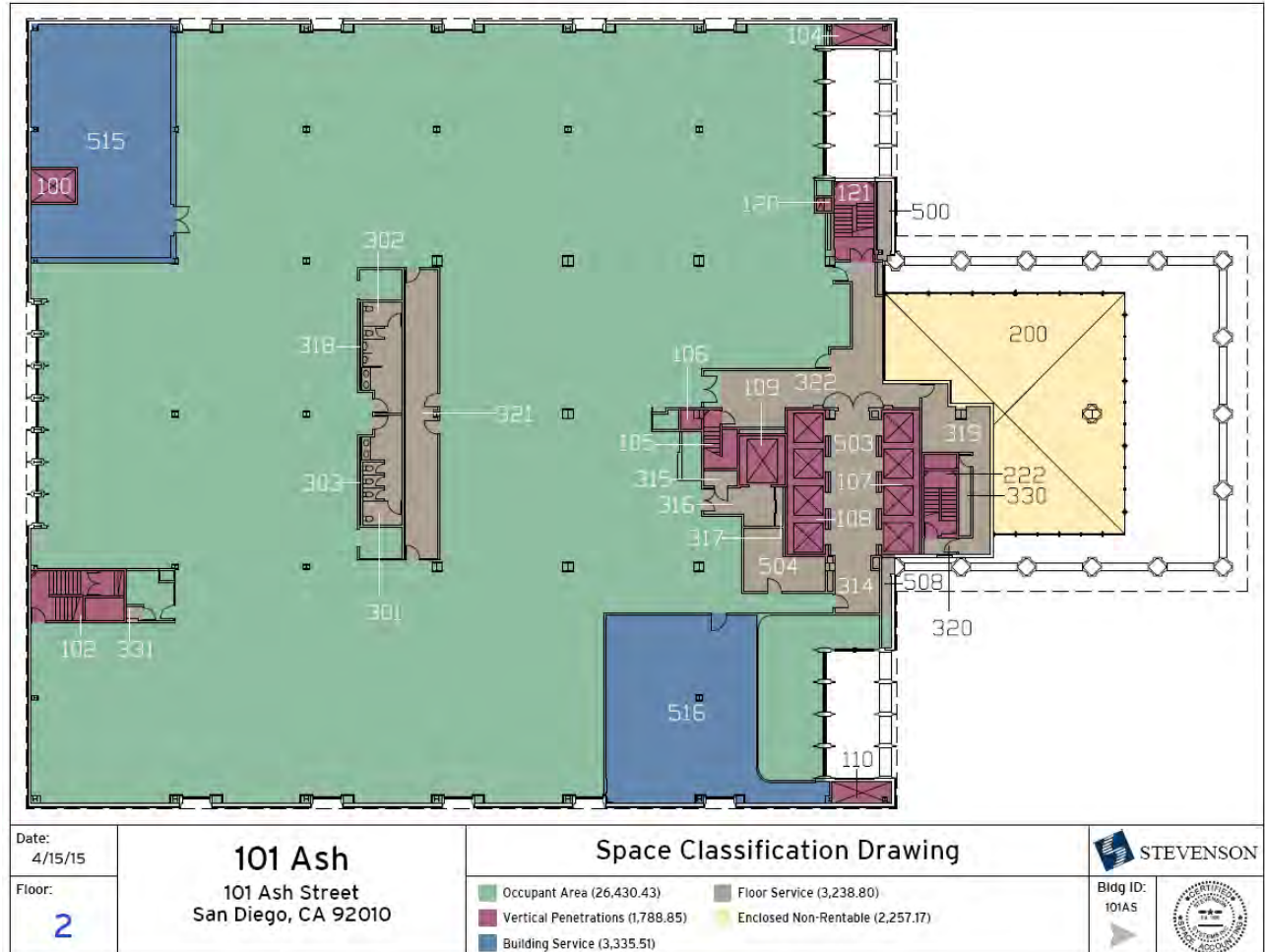
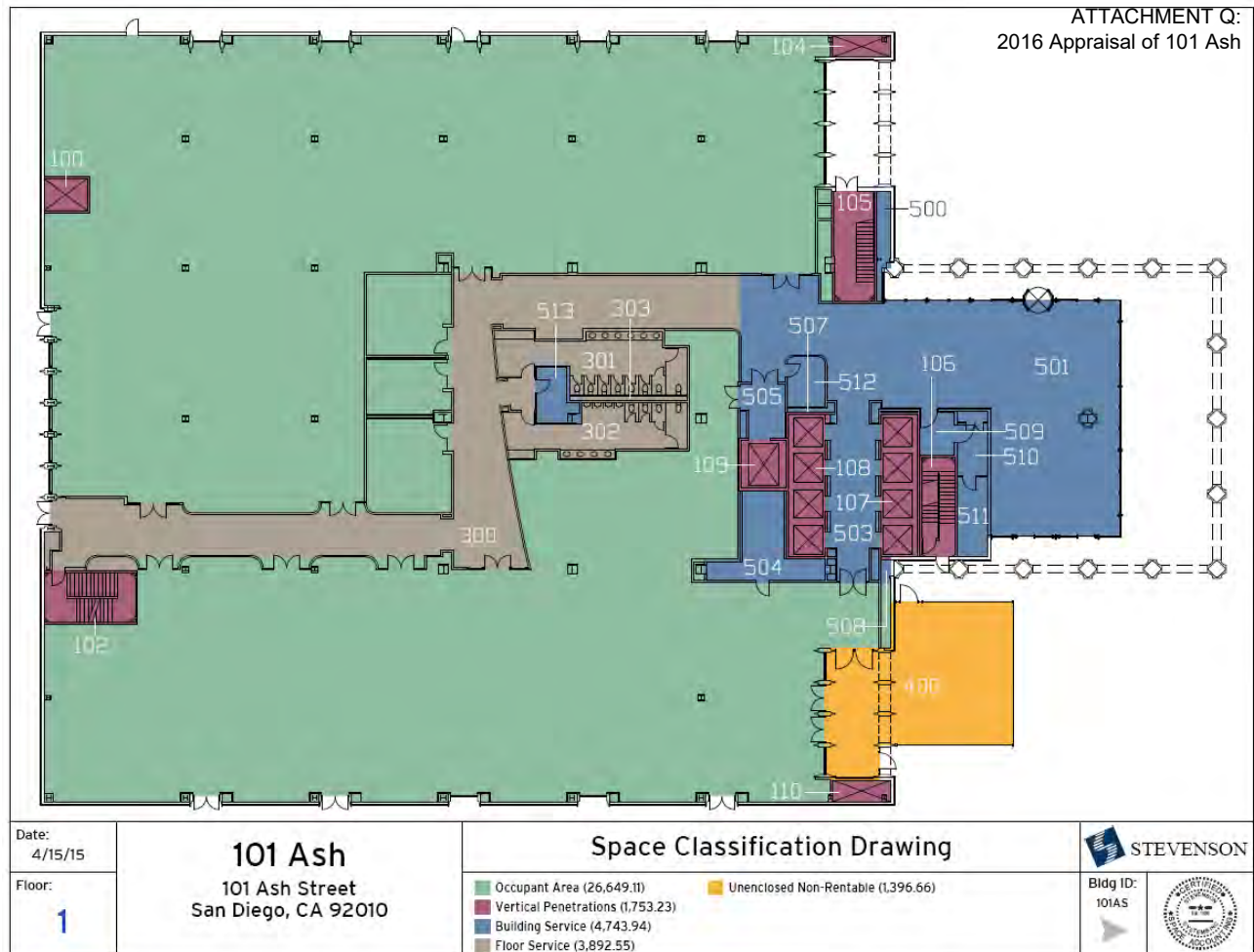
EXHIBIT D

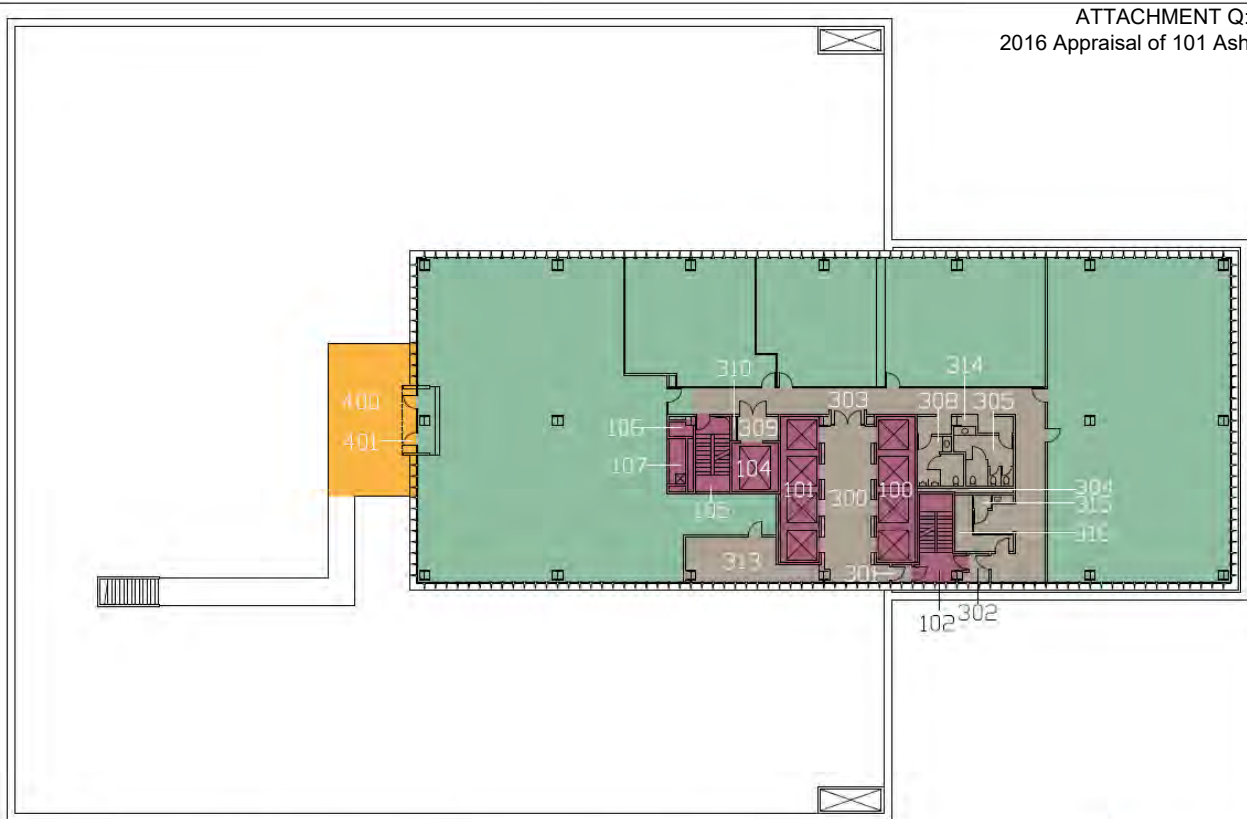


Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: B		<ul style="list-style-type: none"> Vertical Penetrations (1,476.40) Unenclosed Non-Rentable (826.87) Building Service (9,394.86) Parking Area (45,653.15) Enclosed Non-Rentable (418.97) 	Bldg ID: 101AS

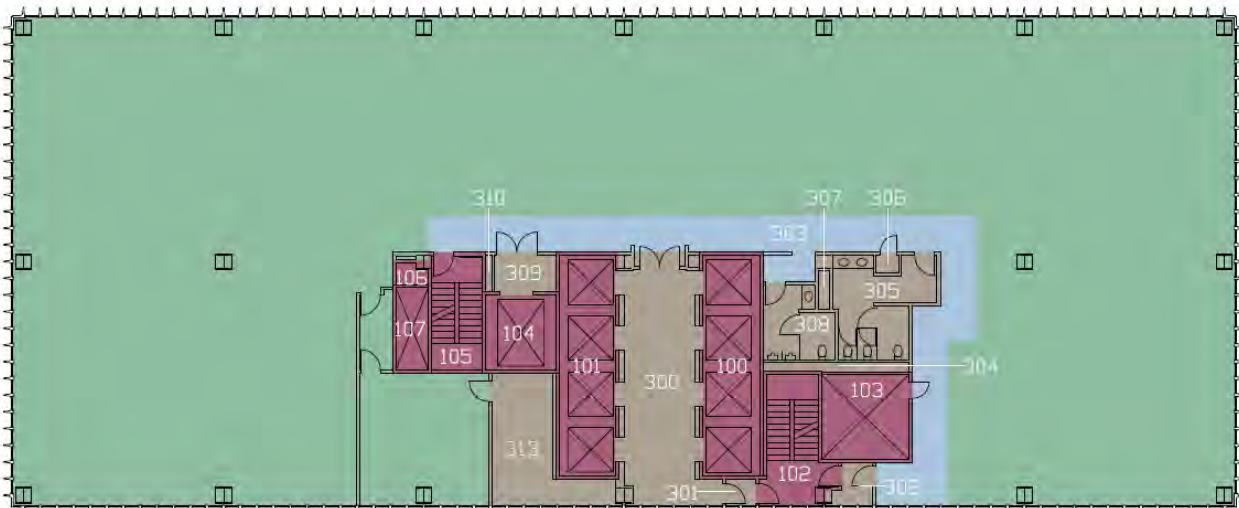


Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: A		<ul style="list-style-type: none"> Vertical Penetrations (1,871.47) Building Service (12,137.22) Parking Area (43,179.36) 	Bldg ID: 101AS

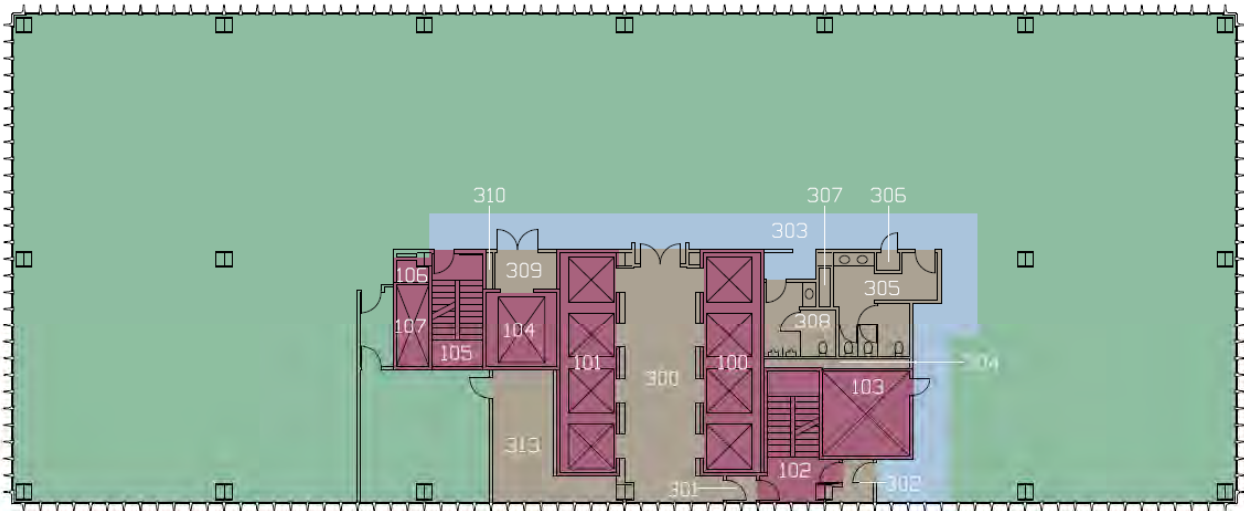







Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: 3			






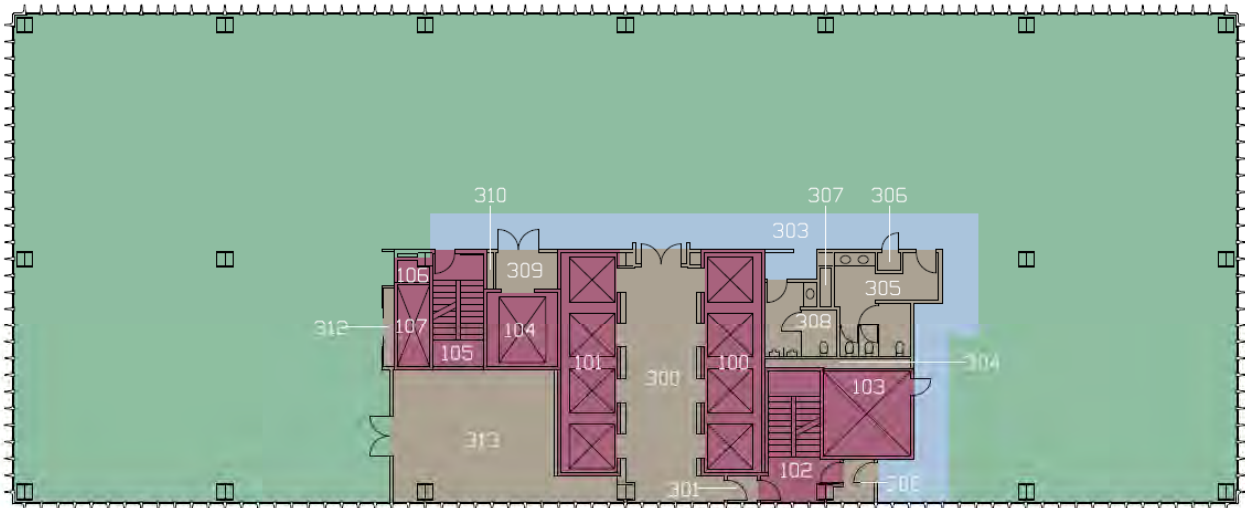
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: 4			











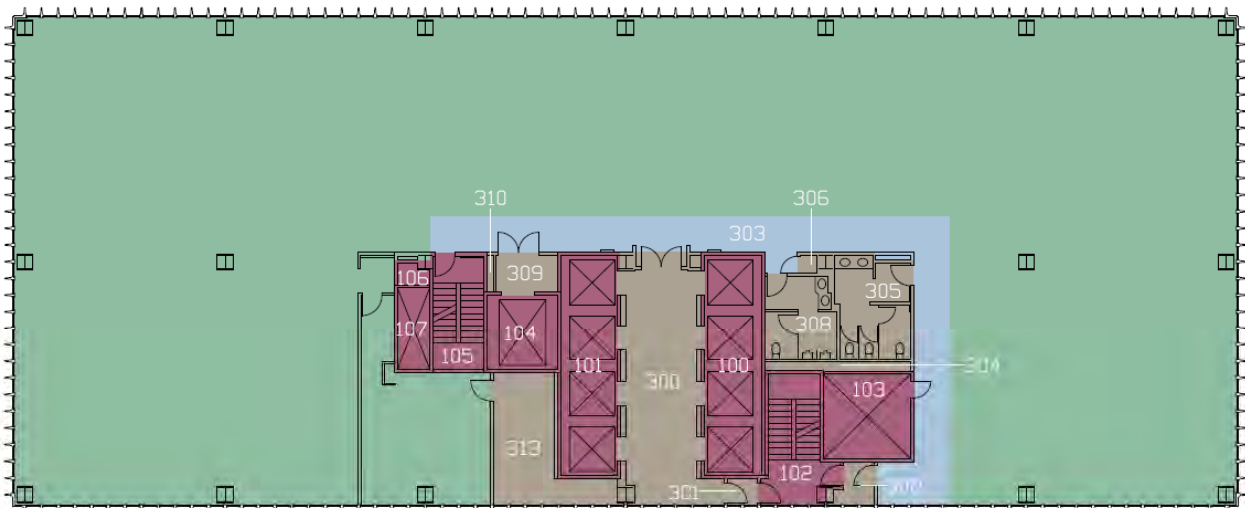
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing		 STEVENS
Floor: <div style="border: 1px solid blue; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 5px;">5</div>		<div style="display: flex; justify-content: space-between;"> <div> <div style="width: 15px; height: 15px; background-color: #90EE90; border: 1px solid black; margin-bottom: 5px;"></div> Occupant Area (10,063.45) </div> <div> <div style="width: 15px; height: 15px; background-color: #B0E0E6; border: 1px solid black; margin-bottom: 5px;"></div> Hypothetical Corridor (746.02) </div> </div> <div style="margin-top: 5px;"> <div style="width: 15px; height: 15px; background-color: #DC143C; border: 1px solid black; margin-bottom: 5px;"></div> Vertical Penetrations (1,391.64) </div> <div style="margin-top: 5px;"> <div style="width: 15px; height: 15px; background-color: #A0522D; border: 1px solid black; margin-bottom: 5px;"></div> Floor Service (1,240.38) </div>	Bldg ID: 101AS 	





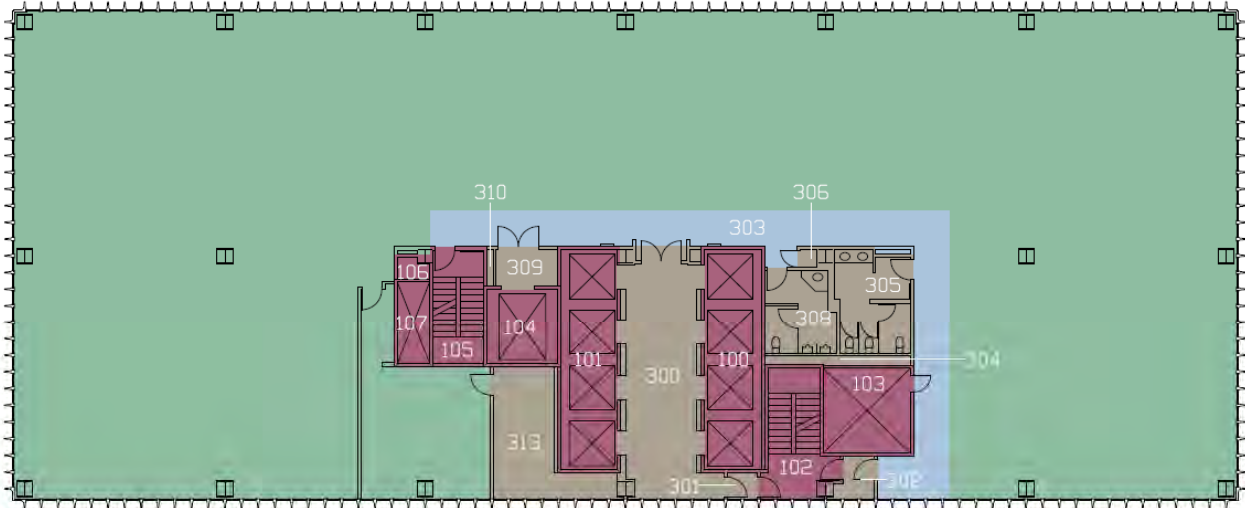
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing		 STEVenson
Floor: <div style="font-size: 2em; font-weight: bold; color: blue;">6</div>		<div style="display: flex; justify-content: space-between;"> <div> <div style="width: 15px; height: 15px; background-color: #90EE90; border: 1px solid black; margin-bottom: 5px;"></div> Occupant Area (9,739.32) </div> <div> <div style="width: 15px; height: 15px; background-color: #D3D3D3; border: 1px solid black; margin-bottom: 5px;"></div> Hypothetical Corridor (746.02) </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <div style="width: 15px; height: 15px; background-color: #8B0000; border: 1px solid black; margin-bottom: 5px;"></div> Vertical Penetrations (1,391.64) </div> <div> <div style="width: 15px; height: 15px; background-color: #A9A9A9; border: 1px solid black; margin-bottom: 5px;"></div> Floor Service (1,564.52) </div> </div>	Bldg ID: 101AS 	



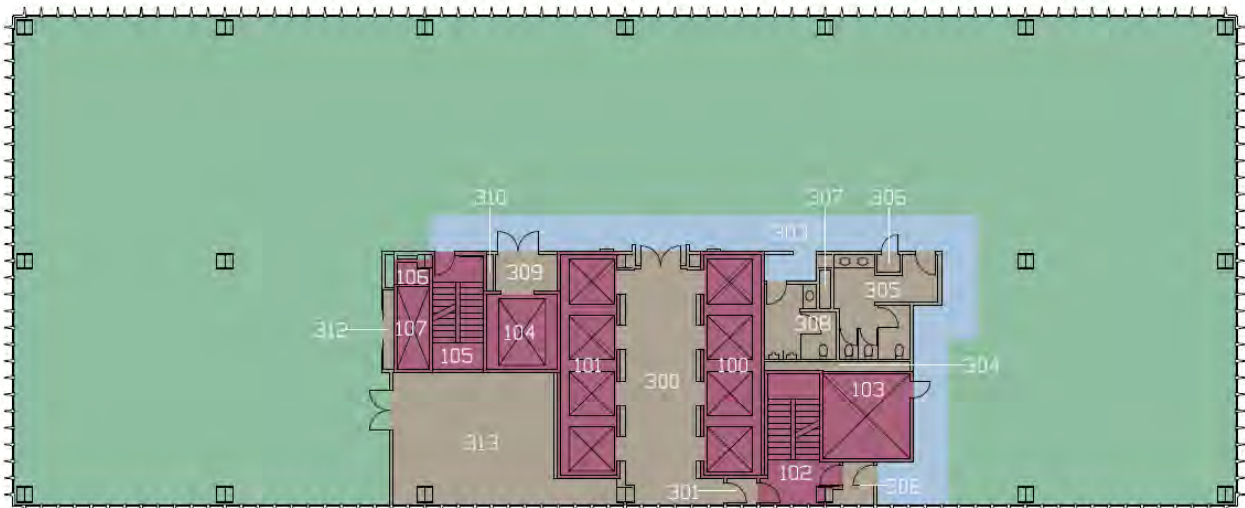
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92101	Space Classification Drawing		 STEVenson
Floor: 		<div>  Occupant Area (9,739.32)  Hypothetical Corridor (746.02) </div> <div>  Vertical Penetrations (1,391.64) </div> <div>  Floor Service (1,564.52) </div>	Bldg ID: 101AS 	



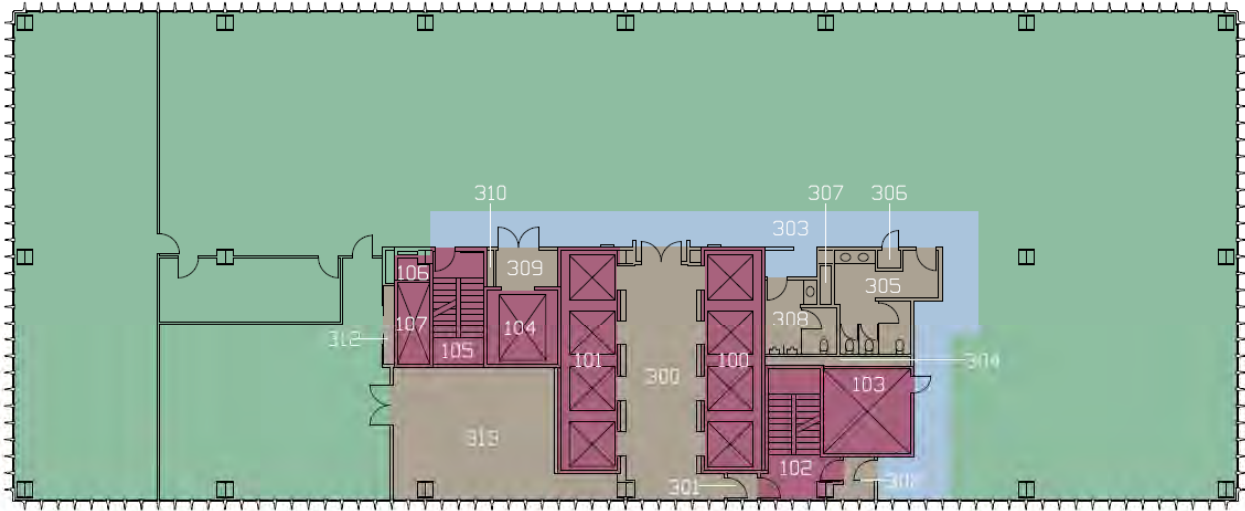
Date: 4/15/15	<div>101 Ash</div> <div>101 Ash Street</div> <div>San Diego, CA 92010</div>	Space Classification Drawing		 STEVENSON
Floor: <div>8</div>		<div><div>Occupant Area (10,143.50)</div><div>Vertical Penetrations (1,391.64)</div><div>Floor Service (1,219.62)</div></div> <div><div>Hypothetical Corridor (686.74)</div></div>	Bldg ID: 101AS	



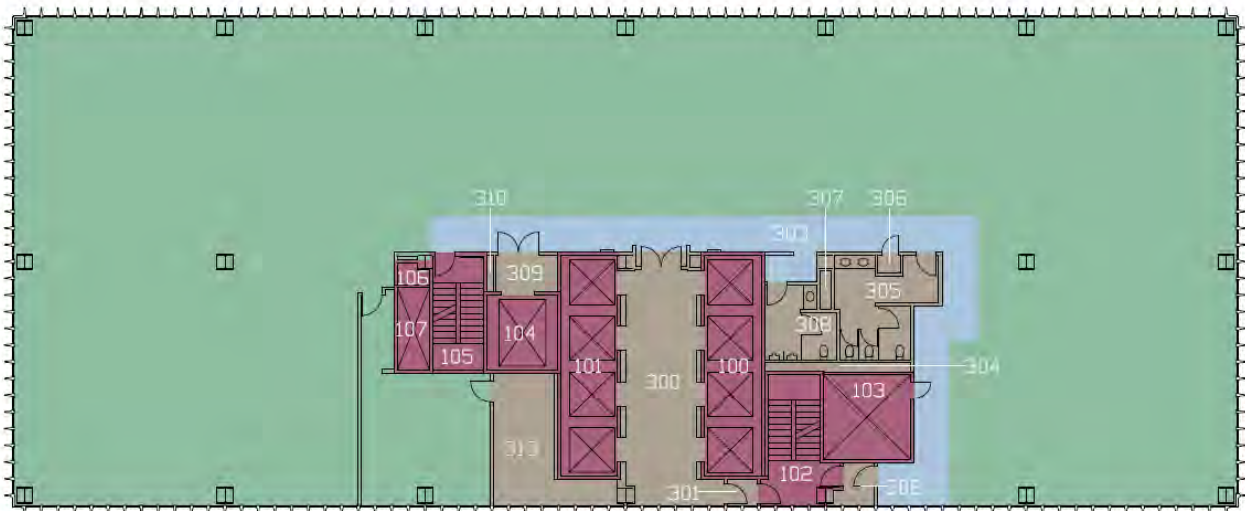
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Occupant Area (10,143.50)</div> <div>Vertical Penetrations (1,391.64)</div> <div>Floor Service (1,219.62)</div> <div>Hypothetical Corridor (686.74)</div> </div>	<div> <div>STEVENSON</div> <div>Bldg ID: 101AS</div> <div> </div> </div>
Floor: 9			



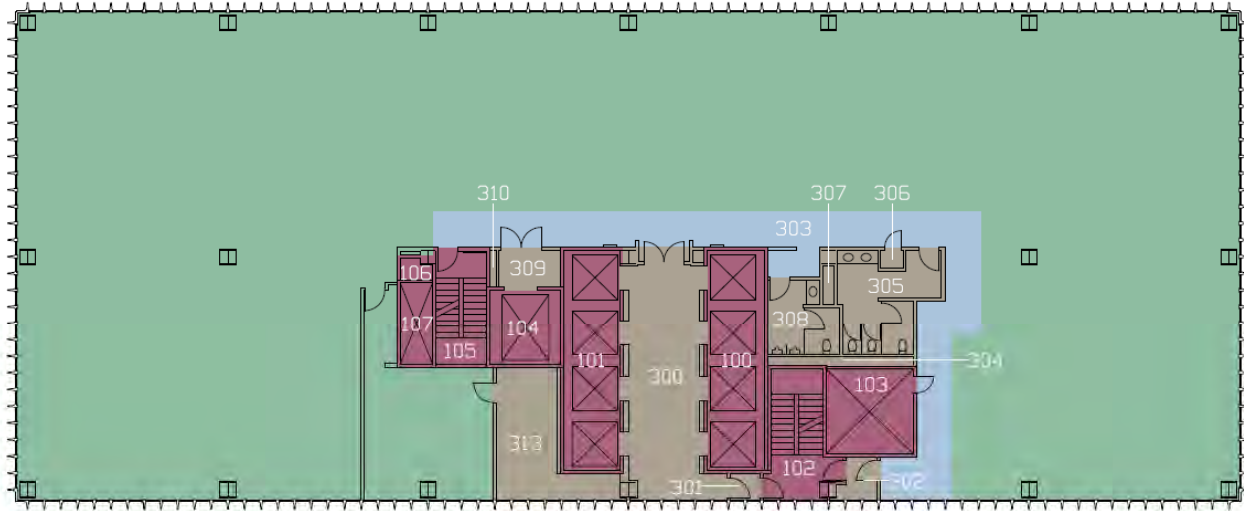
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Occupant Area (9,739.32)</div> <div>Vertical Penetrations (1,391.64)</div> <div>Floor Service (1,564.52)</div> <div>Hypothetical Corridor (746.02)</div> </div>	<div> <div>STEVENSON</div> <div>Bldg ID: 101AS</div> <div> </div> </div>
Floor: 10			



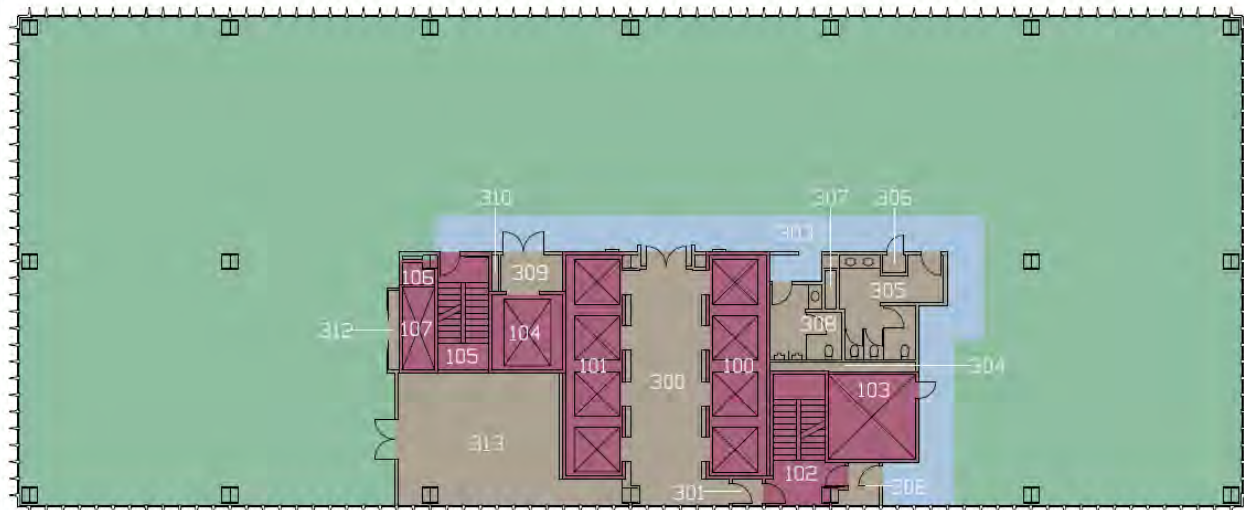
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Occupant Area (9,739.32)</div> <div>Vertical Penetrations (1,391.64)</div> <div>Floor Service (1,564.52)</div> <div>Hypothetical Corridor (746.02)</div> </div>	<div> <div>STEVENSON</div> <div>Bldg ID: 101AS</div> <div> </div> </div>
Floor: 11			



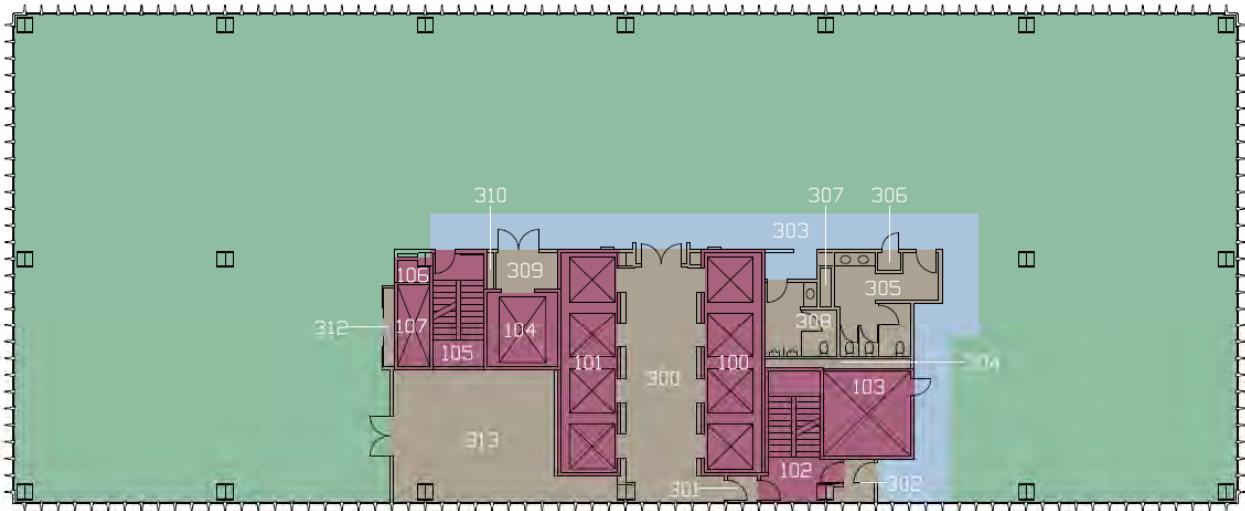
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Occupant Area (10,063.45)</div> <div>Vertical Penetrations (1,391.64)</div> <div>Floor Service (1,240.38)</div> <div>Hypothetical Corridor (746.02)</div> </div>	<div> <div>STEVENSON</div> <div>Bldg ID: 101AS</div> <div> </div> </div>
Floor: 12			






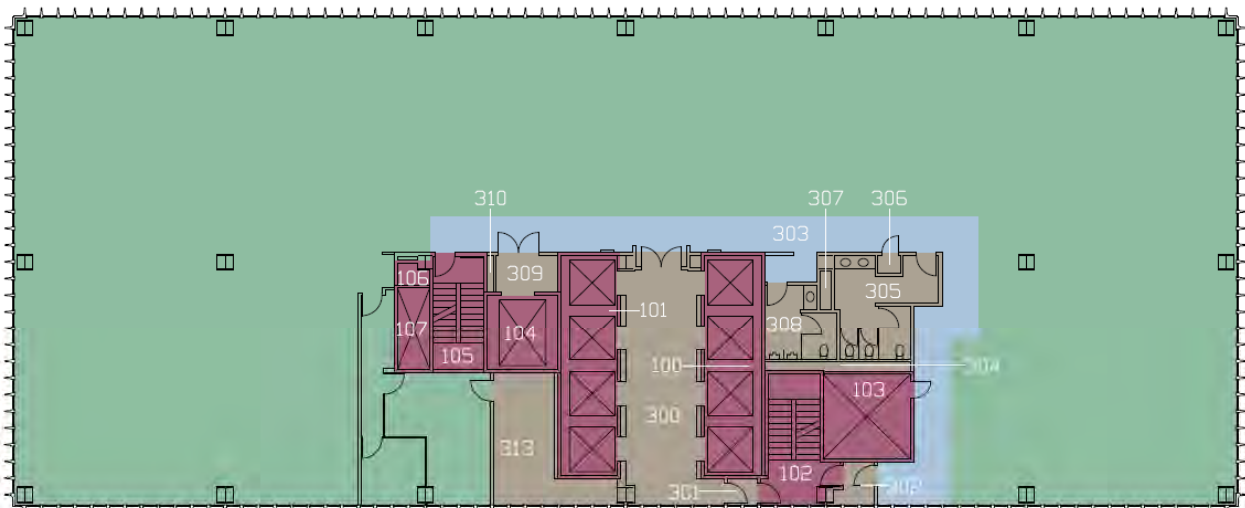
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: 13		<p>Occupant Area (10,063.45)</p> <p>Vertical Penetrations (1,391.64)</p> <p>Floor Service (1,240.38)</p> <p>Hypothetical Corridor (746.02)</p>	<p>Bldg ID: 101AS</p>





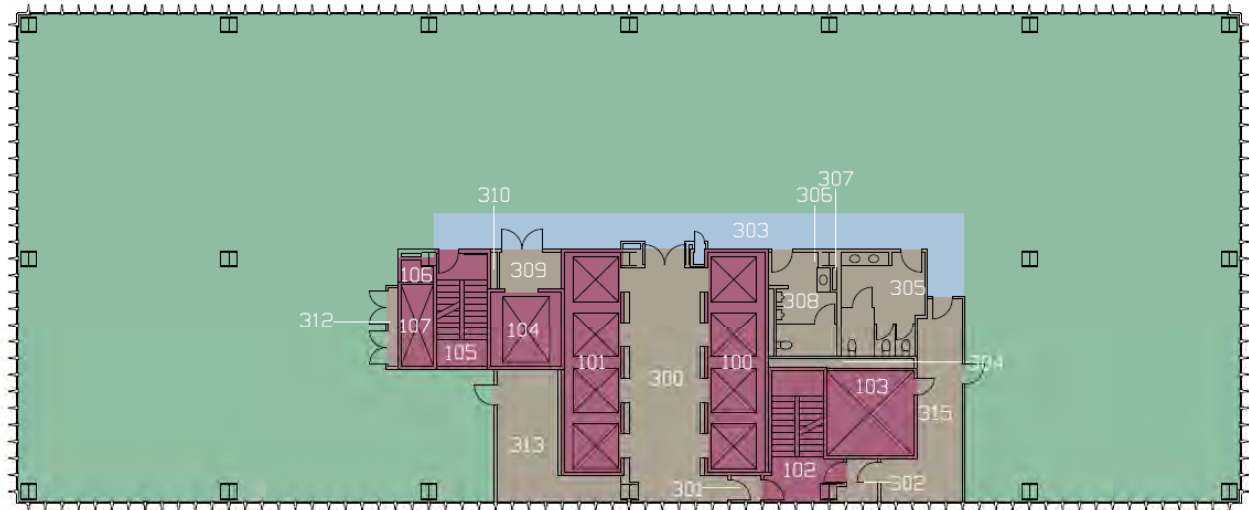
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: 14		<p>Occupant Area (9,739.32)</p> <p>Vertical Penetrations (1,391.64)</p> <p>Floor Service (1,564.52)</p> <p>Hypothetical Corridor (746.02)</p>	<p>Bldg ID: 101AS</p>



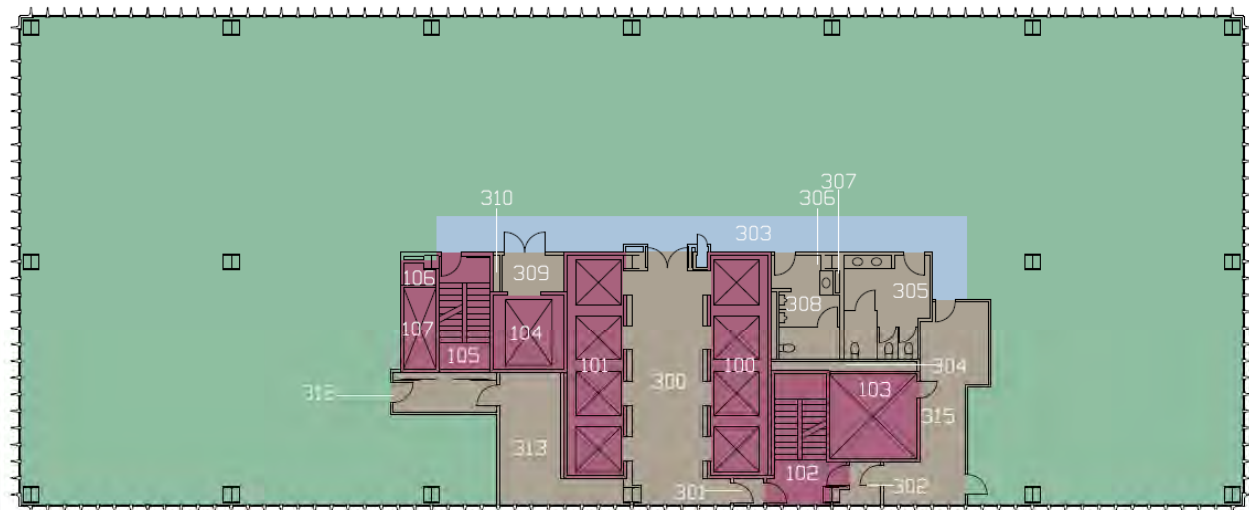
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing		 STEVENSON
Floor: <div style="font-size: 2em; color: blue; font-weight: bold;">15</div>		<div style="display: flex; justify-content: space-between;"> <div> <div style="width: 15px; height: 15px; background-color: #90EE90; border: 1px solid black; margin-bottom: 5px;"></div> Occupant Area (9,739.32) </div> <div> <div style="width: 15px; height: 15px; background-color: #B0E0E6; border: 1px solid black; margin-bottom: 5px;"></div> Hypothetical Corridor (746.02) </div> </div> <div style="margin-top: 5px;"> <div style="width: 15px; height: 15px; background-color: #DC143C; border: 1px solid black; margin-bottom: 5px;"></div> Vertical Penetrations (1,391.64) </div> <div> <div style="width: 15px; height: 15px; background-color: #A0522D; border: 1px solid black; margin-bottom: 5px;"></div> Floor Service (1,564.52) </div>	Bldg ID: 101AS 	



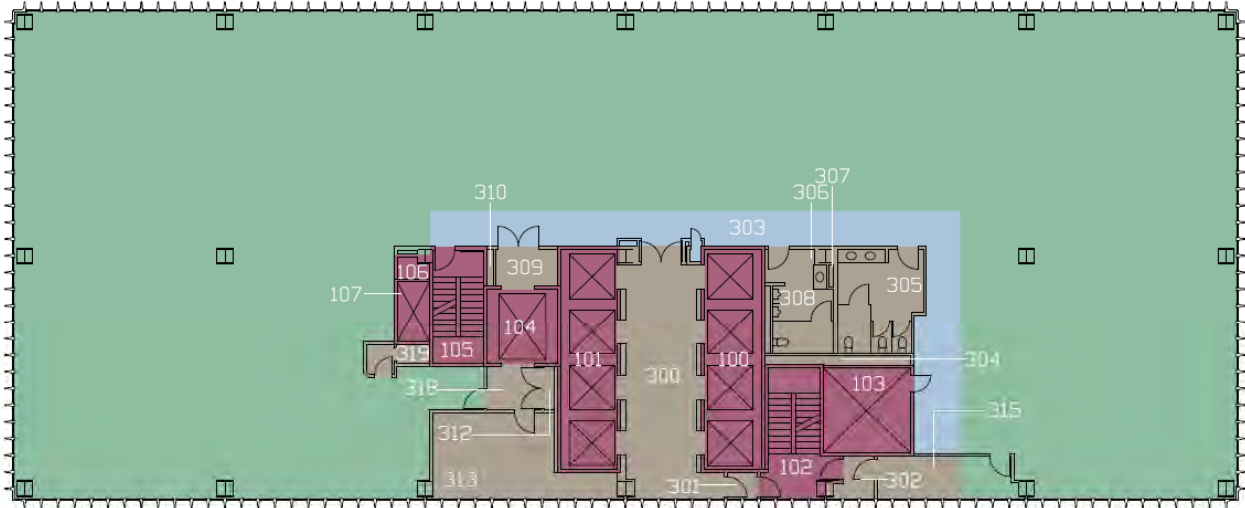
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing		 STEVenson
Floor: <div style="background-color: #007bff; color: white; padding: 5px; display: inline-block; border-radius: 5px;">16</div>		<div style="display: flex; justify-content: space-between;"> <div> <div style="background-color: #28a745; width: 15px; height: 15px; margin-bottom: 5px;"></div> Occupant Area (10,063.45) </div> <div> <div style="background-color: #6c757d; width: 15px; height: 15px; margin-bottom: 5px;"></div> Hypothetical Corridor (746.02) </div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div> <div style="background-color: #dc3545; width: 15px; height: 15px; margin-bottom: 5px;"></div> Vertical Penetrations (1,391.64) </div> <div> <div style="background-color: #6c757d; width: 15px; height: 15px; margin-bottom: 5px;"></div> Floor Service (1,240.38) </div> </div>	Bldg ID: 101AS <div style="text-align: right;">▶</div>	



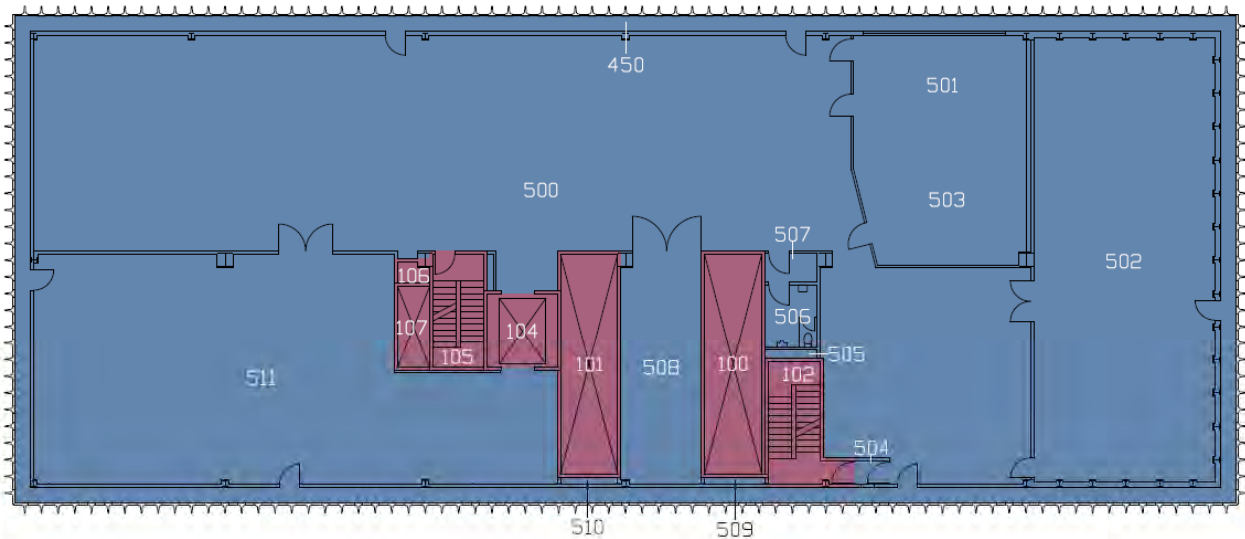
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: 17		<ul style="list-style-type: none"> Occupant Area (10,052.42) Hypothetical Corridor (474.18) Vertical Penetrations (1,391.64) Floor Service (1,523.26) 	Bldg ID: 101AS



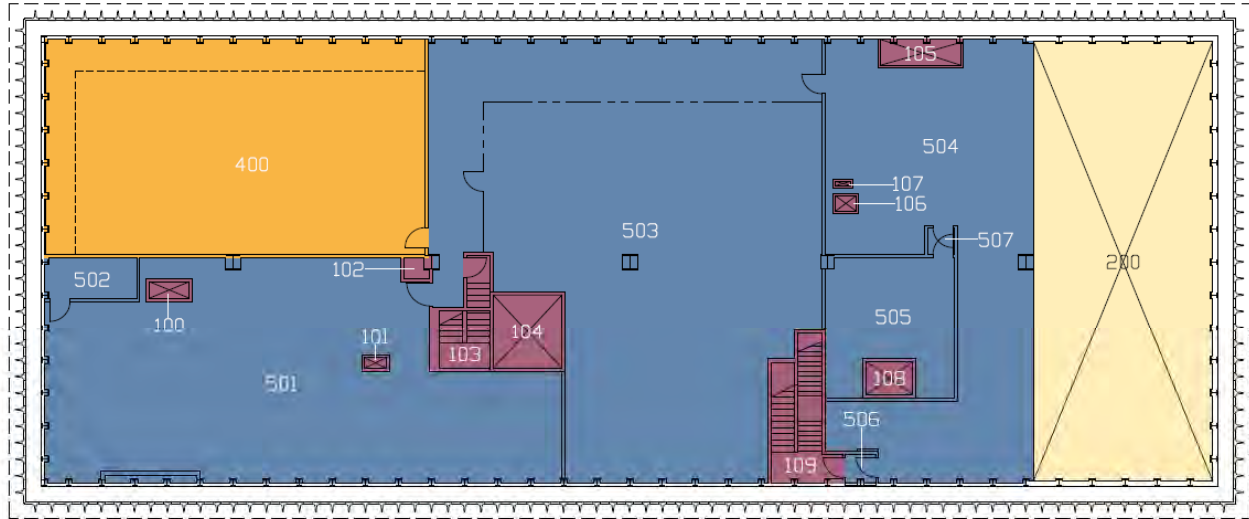
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing	STEVENSON
Floor: 18		<ul style="list-style-type: none"> Occupant Area (9,926.85) Hypothetical Corridor (471.52) Vertical Penetrations (1,391.64) Floor Service (1,651.49) 	Bldg ID: 101AS



Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Occupant Area (9,921.01)</div> <div>Hypothetical Corridor (634.58)</div> <div>Vertical Penetrations (1,371.37)</div> <div>Floor Service (1,514.54)</div> </div>	STEVENSON Bldg ID: 101AS
Floor: 19			



Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Vertical Penetrations (1,210.66)</div> <div>Building Service (12,148.34)</div> </div>	STEVENSON Bldg ID: 101AS
Floor: 20			





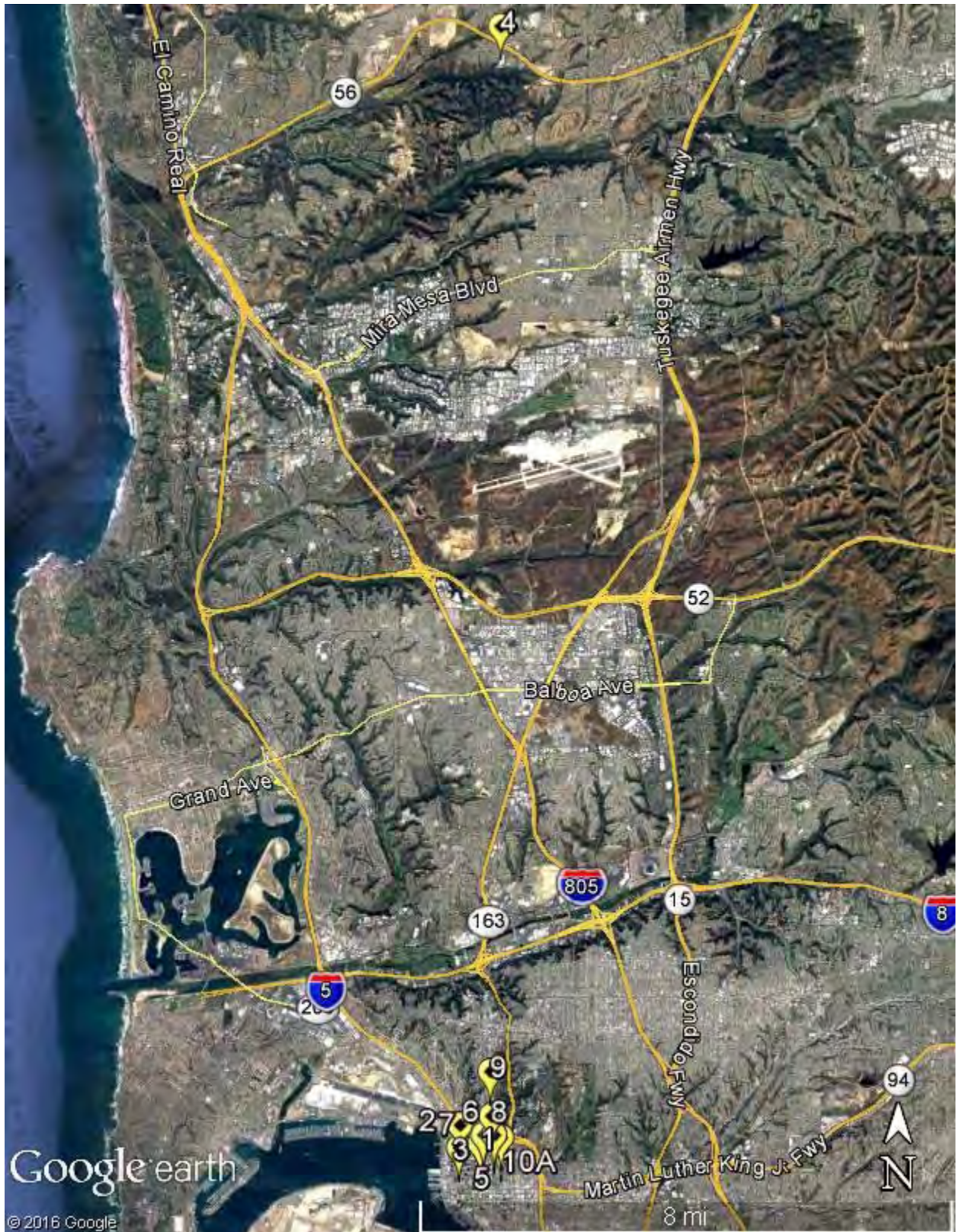
Date: 4/15/15	101 Ash 101 Ash Street San Diego, CA 92010	Space Classification Drawing <div> <div>Vertical Penetrations (636.74)</div> <div>Unenclosed Non-Rentable (1,919.50)</div> <div>Building Service (7,531.76)</div> <div>Enclosed Non-Rentable (1,811.11)</div> </div>	 STEVENSON
Floor: 21			Bidg ID: 101AS 

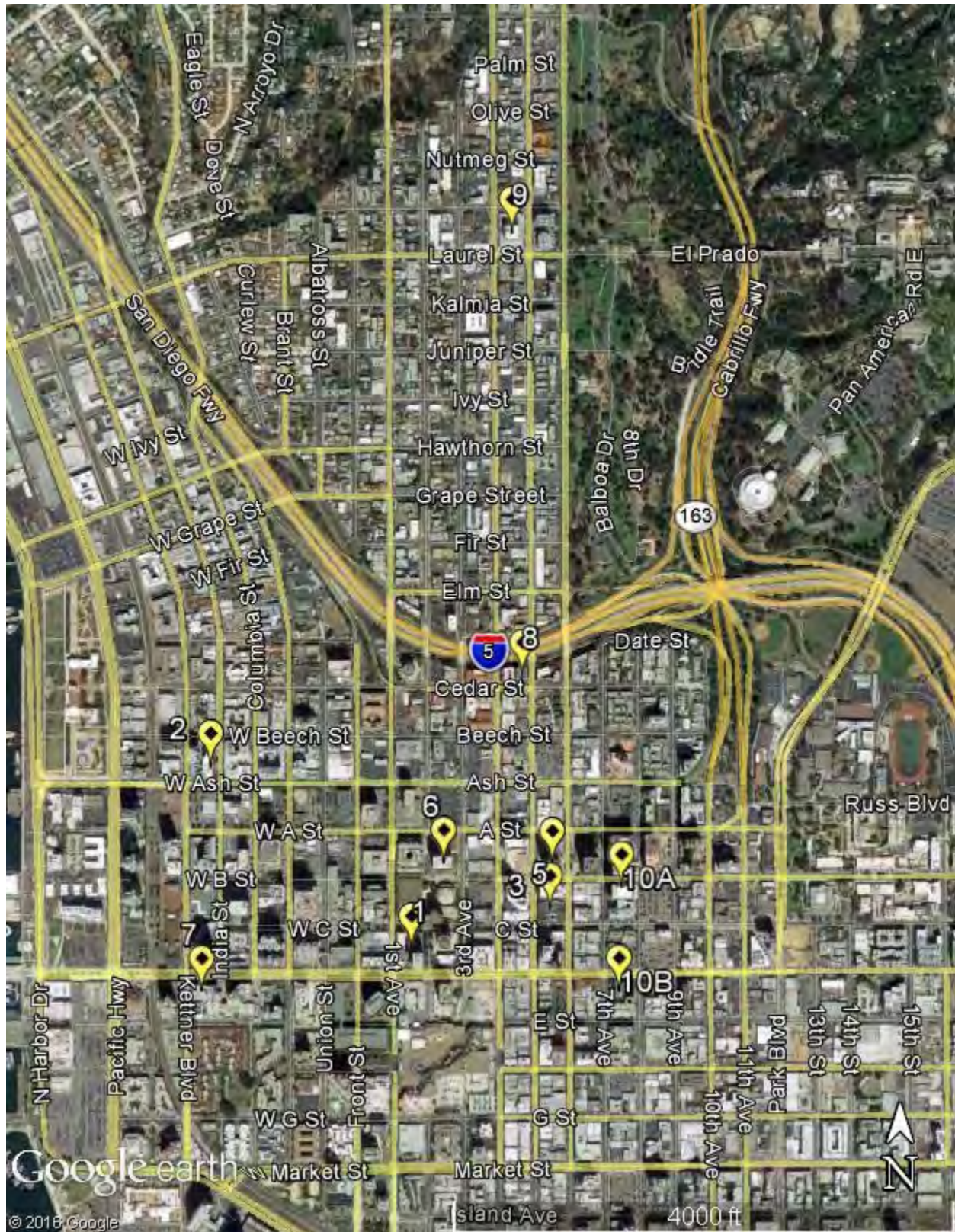
EXHIBIT E

COMPARABLE IMPROVED MAPS

OVERVIEW



COMPARABLE IMPROVED MAPS



COMPARABLE IMPROVED MAPS

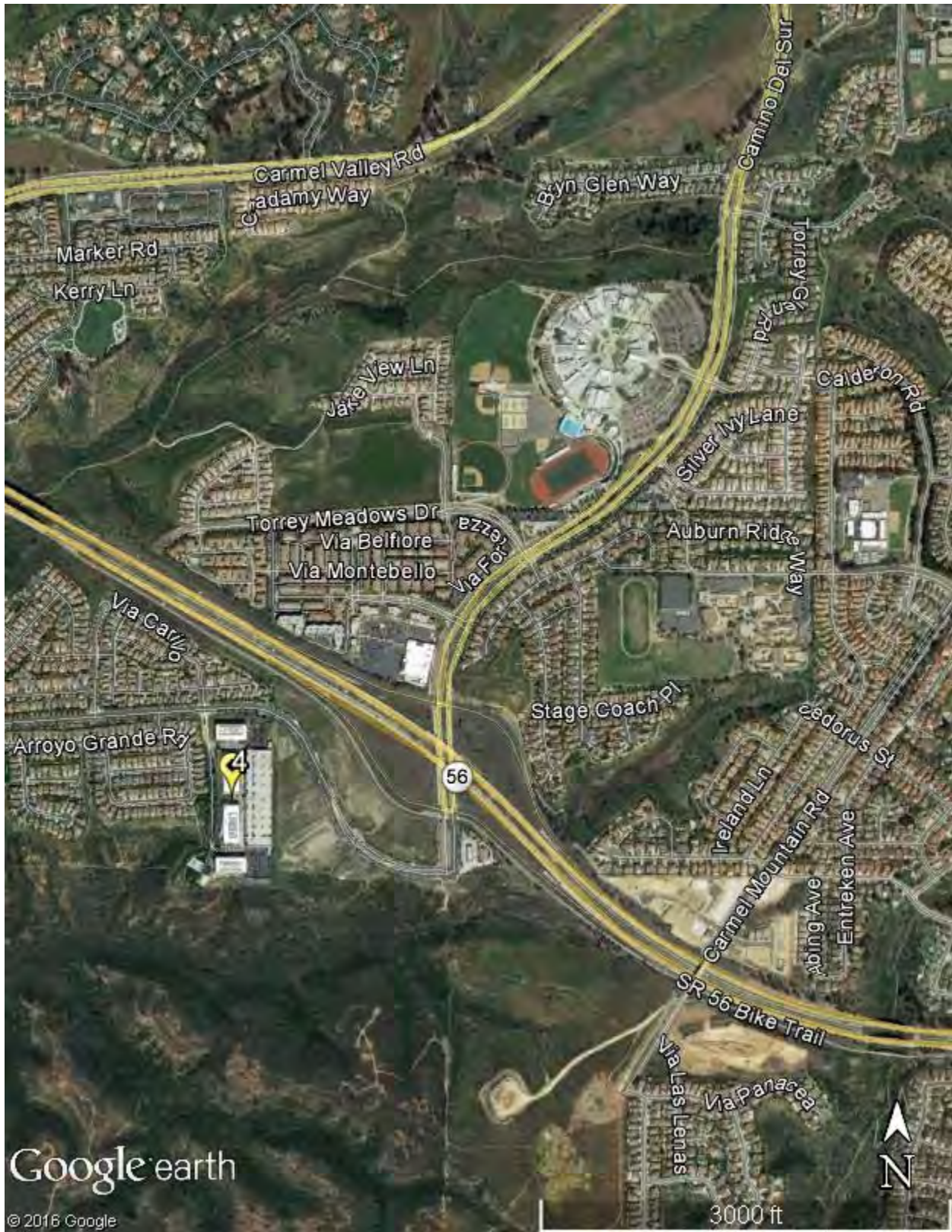


EXHIBIT F

COMPARABLE IMPROVED PHOTOS



Comparable Improved 1



Comparable Improved 2



Comparable Improved 3



Comparable Improved 4



Comparable Improved 5



Comparable Improved 6

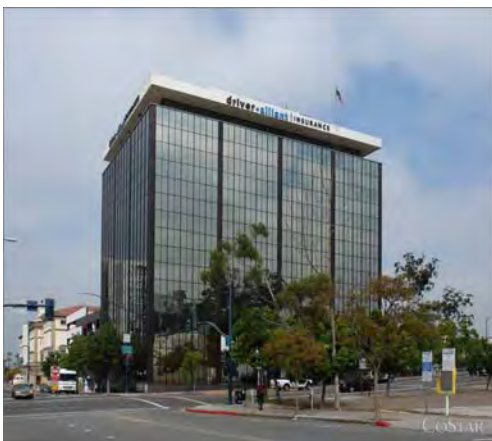
COMPARABLE IMPROVED PHOTOS



Comparable Improved 7



Comparable Improved 10A



Comparable Improved 8



Comparable Improved 10B



Comparable Improved 9

EXHIBIT G

COMPARABLE LEASE MAPS

OVERVIEW



EXHIBIT H

COMPARABLE LEASE PHOTOS



Comparable Lease 1



Comparable Lease 4



Comparable Lease 2



Comparable Lease 5



Comparable Lease 3



Comparable Lease 6

COMPARABLE LEASE PHOTOS



Comparable Lease 7



Comparable Lease 8

EXHIBIT I

CERTIFICATION

I certify that, to the best of my knowledge and belief...

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- 3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- 4) I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 5) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 6) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 7) My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 8) My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professions Ethics and the Uniform Standards of Professional Appraisal Practice.
- 9) I have made a personal inspection of the property (interior and exterior) that is the subject of this report.
- 10) No one provided significant real property appraisal assistance to the person signing this certification.
- 11) The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- 12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 13) As of the date of this report, I have completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.
- 14) I do not authorize any out-of-context quotations or partial reprintings, or the resale of this report to third parties. Neither all nor any part of this appraisal report shall be disseminated to the general public by the use of media or public communication without the prior written consent of the appraiser.
- 15) The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- 16) The report was prepared in conformance with the requirements of Title XI of FIRREA and the State of California.



David F. Davis, MAI
State Certificate #AG002752

EXHIBIT J

QUALIFICATIONS

DAVID F. DAVIS, MAI

APPRAISAL EXPERIENCE

02/86 - Present	Independent Real Estate Appraiser and Consultant. President, D.F. Davis Real Estate, Inc., specializing in appraisals of proposed construction and development projects, office, R&D, industrial, retail, biotechnology properties and land.
06/84 - 01/86	Vice President, Diversified Equity Investments, Inc., a real estate development firm. Directed acquisitions, construction, leasing and property management.
06/83 - 05/84	Appraisal Officer, Wells Fargo Real Estate Industries Group. Specialized in major proposed commercial and residential projects.
10/77 - 05/83	Union Bank - Appraisal Officer. Similar experience to Wells Fargo.
05/76 - 10/77	F.M. Tarbell Company, residential real estate sales.

EDUCATION

San Diego State University, B.S. Degree in Business Administration with an emphasis in Real Estate, 1977.

Appraisal Institute (and Others)- Courses and Seminars:

<u>Year</u>	<u>Course Titles</u>
2016	Four Hour Federal and California Statutory and Regulatory Laws; San Diego Real Estate Market Symposium; 7 Hour USPAP Update Course; General Appraiser Report Writing and Case Studies
2014	Eminent Domain Valuation; San Diego Mid-Year Market Symposium (co-organizer and moderator); 7-Hour USPAP Update Course
2013	San Diego Economic Forecast (organizer and moderator); Business Practices and Ethics
2012	San Diego Economic Forecast (organizer and moderator); Timely Appraisal Topics – Niche Areas of Practice; 7 Hour National USPAP Update Course
2011	San Diego Economic Forecast (organizer and moderator); Loss Prevention Seminar For Real Estate Appraisers; Appraising for the IRS, What You Need to Know; San Diego Housing Seminar; Appraisal Curriculum Overview-General
2010	San Diego Economic Forecast (organizer and moderator); San Diego Apartment & Housing Seminar; Unique Assignments in Real Estate Appraisal (presenter); IRS Valuation Summit
2009	San Diego Economic Forecast (organizer and moderator); San Diego Apartment & Housing Seminar
2008	San Diego Economic Forecast (organizer and moderator); 7-Hour National USPAP Course; Business Practices and Ethics
2007	San Diego Economic Forecast (organizer and moderator)

- 2006 San Diego Economic Forecast (organizer and moderator); 7-Hour National USPAP Update Course; Operating Expense Seminar
- 2005 San Diego Economic Forecast (organizer and moderator); San Diego Apartment and Housing Seminar; Luxury Home Trends in San Diego; Reappraising, Readdressing, Reassigning
- 2004 Applying Economic Forecasts Update; Valuation of Unique Properties Seminar; Unleash the MLS; Business Practices and Ethics; Operating Expense Seminar; Advanced Appraisal Refresher; 7-Hour National USPAP Update Course; San Diego Apartment & Housing Seminar
- 2003 Evaluating Commercial Construction
- 2002 Emerging Demands on R&D and Office; The Environmental Scan; Applying Economic Forecasts Update
- 2001 Applying Economic Forecasts Update; Gramm-Leach-Bliley Act; Mid-Year San Diego Economic Forecast
- 2000 Applying Economic Forecasts Update
- 1999 Operating Expense Seminar - What Does It Cost To Operate That Building?
- 1998 Standards of Professional Practice, Part C; Valuation of Detrimental Conditions in Real Estate
- 1997 Apartment Seminar Update; An Overview of the FHA HUD 203(k) Program; Property Profile of Operating Expense
- 1996 Market Analysis from the Buyer's Viewpoint; Attorneys, Appraisers and Real Estate; Changing Markets and New Research Methods; Property Profile of Operating Expense; The Appraiser Wears the Contractor Hat; Blueprint Reading; Affordable Housing Rules, Regulations; Environmental Issues Past, Present and Future; Applying Economic Forecasts
- 1995 Marketing Your Appraisal Services Effectively; Federal and State Laws and Regulations Workshop
- 1994 Understanding Limited Appraisals and Appraisal Reporting Options - General; Fair Lending and the Appraiser; How to Verify Market Data
- 1993 Basic Income Capitalization; Standards of Professional Practice Parts A and B; Impact of Hazardous Substances on Real Estate; Residential Subdivision Seminar

American Institute of Real Estate Appraisers - Courses and Seminars:

<u>Year</u>	<u>Course Titles</u>
1990	Residential Valuation; Standards of Professional Practice
1988	Standards of Professional Practice Update; Discounted Cash Flow Analysis
1987	Litigation Valuation; Industrial Valuation
1986	FHLBB R41b Requirements
1985	Subdivision Analysis
1983	Financial Calculator HP 38E/12C; Cash Flow Analysis
1982	Standards of Professional Practice; Litigation Valuation

1981 Case Studies in Real Estate Valuation; Real Estate Analysis and Report Writing

Society of Real Estate Appraisers and Appraisal Institute - Courses and Seminars:

Year Course Titles

1982 Applied Income Property Valuation

1981 Cash Equivalency Analysis

1978 Principles of Residential Appraisal; Principles of Income Property Appraisal

PROFESSIONAL

MAI Designation: Appraisal Institute, formerly the American Institute of Real Estate Appraisers, Certificate No. 6892 (since 1984)

State Certification: California Certified General Real Estate Appraiser - State of California - Certificate No. AG002752, expires August 14, 2016

Admissions Committee: American Institute of Real Estate Appraisers 1985-87; Vice Chairman, 1988; Chairman, 1989 and 1990; Appraisal Institute 1991-96, Admissions Coordinator, General Appraisal category, 1991

Appraisal Institute
San Diego Chapter:

1991 Member, Board of Directors
1992 Treasurer and Member, Board of Directors
1993 Secretary and Member, Board of Directors
1994 Second Vice President and Member, Board of Directors
1995 First Vice President and Member, Board of Directors
1996 President and Member, Board of Directors
1997 Past President and Member, Board of Directors
1997-2013
Golf Tournament Organizer (the tournament funds a college scholarship program)
2001-2008
Member, Board of Directors
2004-Present
College Scholarship Program Chairman
2005 Honored for outstanding service
2010 President, Volunteer of Distinction (May) and Member, Board of Directors
2011 Immediate Past President and Member, Board of Directors
2014-Present
Member, Board of Directors

San Diego Board
of Realtors: Affiliate Member 1984-1989, Realtor Member since 1989

Real Estate Broker: Licensed in the State of California since 1978 (held salesman license 1976-1977)

Expert Witness: Qualified in San Diego Superior and Municipal Courts and U.S. Bankruptcy Court (San Diego and Orange Counties)

**D.F. DAVIS
REAL ESTATE
INC.**

Advisory Committee: Member, University of San Diego Real Estate Institute Commercial Real Estate, now Burnham-Moores Center for Real Estate, Advisory - Committee since 2001

College Professor: Adjunct professor, University of San Diego (Business 328 Commercial Real Estate Valuation) January 2006 through May 2011; Masters of Science in Real Estate (MSRE 508 Commercial Real Estate Valuation) January 2007 through May 2011

Guest lecturer, San Diego State University (Business Finance 435 Class) September 2011

Guest lecturer, San Diego State University (Finance 437 Real Estate Development Class) September 2012, October 2013, February 2015

Industry Resource: NAIOP University Challenge Case Study Competition – Industry Resource Appraisal Consultant 2011 to present

Biotechnology Specialty: Over the past 27 years, David F. Davis has completed 304 appraisals or consulting assignments (as of February 2016) on scientific research facilities including biotechnology wet laboratory or related properties (with manufacturing) and land in San Diego, Carlsbad, Emeryville, Orange County and the San Francisco Bay Area of California and Seattle, Washington. Other consultation assignments have been completed for properties located in Minnesota, Ohio, Texas, North Carolina and Alabama

Service Organizations: Member, La Jolla Golden Triangle Rotary Club since October 2008

International
Right of Way Association: Member of Chapter 11 since August 10, 2015